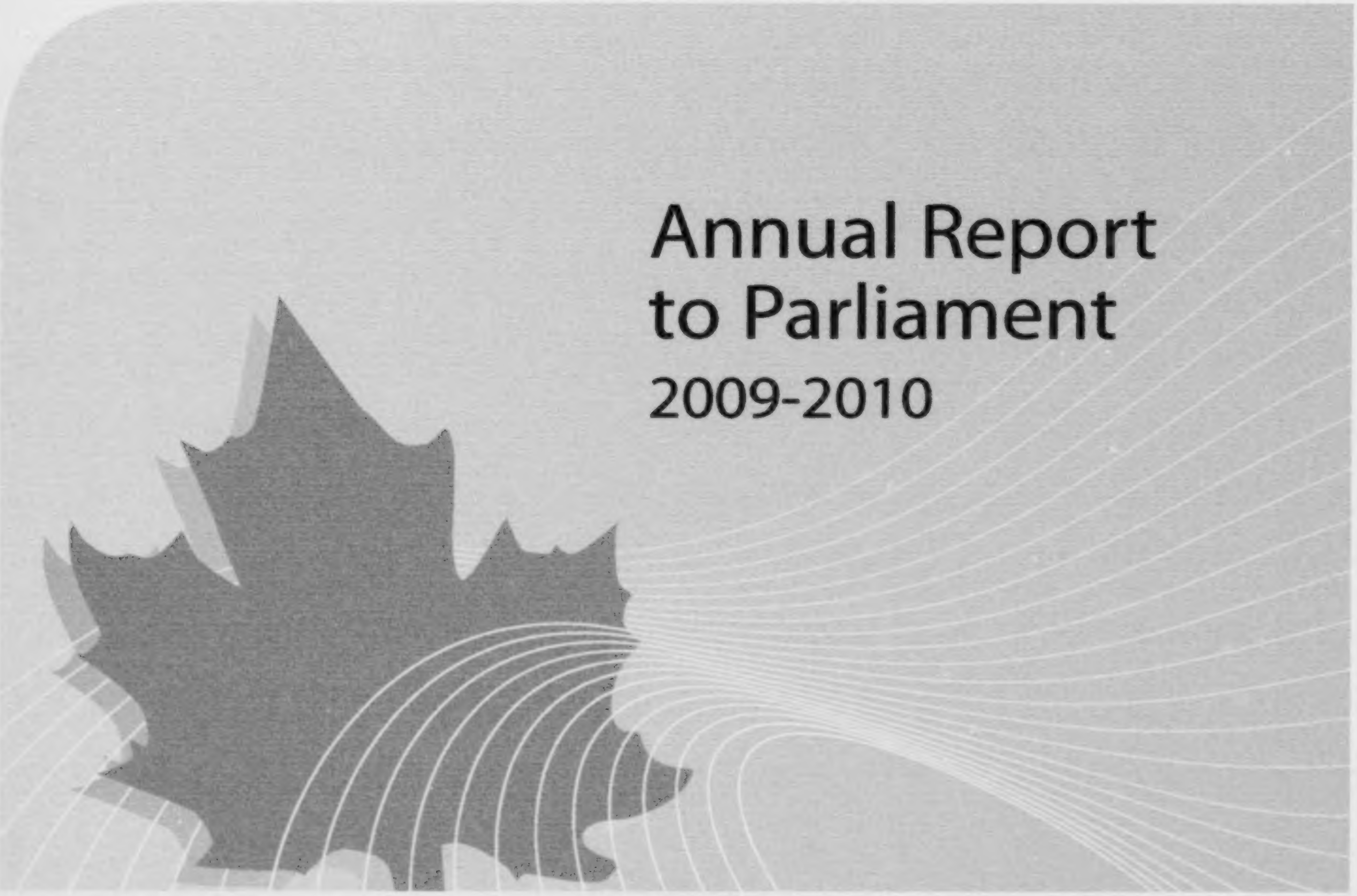


Annual Report to Parliament

2009-2010

RC4425 E REV10

Canada Revenue Agency | Agence du revenu du Canada

Canada

OUR COMMITMENT

OUR MISSION

To administer tax, benefits, and related programs and to ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic and social well-being of Canadians.

OUR VISION

The Canada Revenue Agency is the model for trusted tax and benefit administration, providing unparalleled service and value to its clients, and offering its employees outstanding career opportunities.

OUR PROMISE

Contributing to the well-being of Canadians and efficiency of government by delivering world-class tax and benefit administration that is responsive, effective, and trusted.

OUR VALUES

- **Integrity** is the foundation of our administration. It means treating people fairly and applying the law fairly.
- **Professionalism** is the key to success in achieving our mission. It means being committed to the highest standards of achievement.
- **Respect** is the basis for our dealings with employees, colleagues, taxpayers, and clients. It means being sensitive and responsive to the rights of individuals.
- **Co-operation** is the foundation for meeting the challenges of the future. It means building partnerships and working together toward common goals.

ABOUT THE CRA

WHO WE ARE

The Canada Revenue Agency (CRA) administers income tax, goods and services tax/harmonized sales tax (GST/HST), and other taxes, and is the principal revenue collector in the country. We also distribute benefit payments to millions of Canadians.

We strive to ensure that Canadians:

- pay their required share of taxes;
- receive their rightful share of entitlements; and
- are provided with an impartial and responsive review of contested decisions.

OUR FOUNDATION OF TRUST

Building on our foundation of trust is critical to achieving our mandate. Trust begins with the CRA values that reflect our principles and beliefs and guide our behaviour and practices.

Trust is sustained by our focus on maintaining a fair, open, and transparent tax and benefits administration that serves Canadians with a high degree of accuracy, consistency, and impartiality.

OUR CONTRIBUTION TO THE SOCIAL AND ECONOMIC WELL-BEING OF CANADA

A well-functioning tax and benefit system is essential to a healthy economy, a sustainable infrastructure, and a strong democracy.

Some of the tax revenue we collect is redistributed to taxpayers in the form of benefit payments or tax credits. Other tax revenue is provided to our federal, provincial, territorial, and First Nations government clients to finance their programs and services for Canadians.

2009-2010 HIGHLIGHTS

Notable achievements

- Canadians are increasingly embracing the electronic services we offer.
- Consistently high percentages of individuals and employers are filing their returns on time and high proportions of individuals and taxable corporations are paying taxes owing on time.
- Benefit recipients received 99.7% of their payments on time.

Our Challenges

- Reduce the number of tax filers who are claiming incorrect amounts of credits and deductions on their tax returns.
- Encourage more corporations to comply with their obligation to file their tax returns on time.
- Improve turn-around times for dealing with appeals.

The CRA identifies areas where improvements are required and addresses them through various strategies and initiatives. To improve our results, we strive to balance the requirement to maintain the integrity of current program delivery with the strategies and initiatives aimed at improving program delivery.

MESSAGE FROM THE MINISTER

The Canada Revenue Agency (CRA) administers a fair, and responsive tax and benefit system that contributes to the economic and social well being of our nation. The support the CRA provided during the difficult economic climate that dominated 2009-2010 was especially important. By being flexible in how it delivered key aspects of Canada's Economic Action Plan, the CRA helped secure stability and future prosperity for Canadians.

The CRA is committed to protecting Canada's revenue base by making sure everyone complies with tax laws. To do this, during 2009-2010, the CRA actively pursued individuals and businesses, including participants in the underground economy and those avoiding taxes by hiding funds offshore, who were not paying the taxes that they owed to Canadians. This document highlights many of the CRA's achievements over the last year and describes the CRA's role in supporting individuals, businesses, and families across Canada.

As Minister of National Revenue, I am pleased to present the *Annual Report to Parliament 2009-2010* for tabling.

Keith Ashfield

The Honourable Keith Ashfield, P.C., M.P.
Minister of National Revenue and
Minister of the Atlantic Canada Opportunities Agency and
Minister for the Atlantic Gateway

"Our country's tax system relies on honesty and voluntary compliance. The Canada Revenue Agency wants to help Canadians meet their tax obligations."

Keith Ashfield

FOREWORD BY THE CHAIR

This year marked the 10th anniversary of the creation of the Agency and its Board. Since its inception in 1999, the Board has matured into a productive and proactive body that has played a key role in the CRA's success. The CRA's unique governance, with the Board as a cornerstone of this structure, is increasingly recognized as a model for other government organizations in Canada and abroad. I am pleased to be part of the Canada Revenue Agency's Board of Management.

The year 2009-2010 was a challenging one for the Board and the CRA having to ensure that the organization was making the most efficient and effective use of its resources during a time of economic restraint. In this regard, the Board monitored the CRA's spending and its intended allocation of resources, while continuing to ensure CRA's commitment to providing timely, accessible and effective services to taxpayers and benefit recipients.

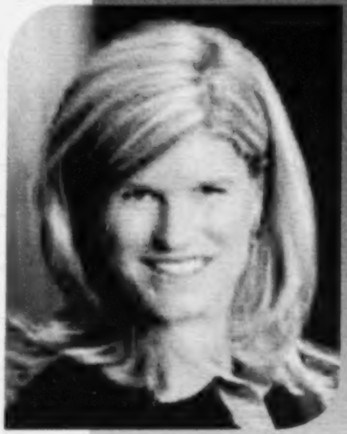
Information technology (IT) remained an important area of Board oversight, not surprising given the extent to which services provided and programs administered by the CRA are dependent on the Agency's IT systems and architecture. One key area of focus for the Board was the Data Centre Co-location Initiative, which the Board will continue to monitor throughout 2010-2011.

The Board continued to stress the importance of a robust and effective risk management regime and, at its Strategic Planning Meeting in November 2009, reviewed, discussed, and better defined its own role in risk governance. One noteworthy achievement in 2009-2010 was the creation of a dedicated Chief Risk Officer position at the Agency, a first within the federal public service.

In 2009-2010, the CRA witnessed changes in no less than eight positions within its senior executive ranks, including the arrival of a new Commissioner and Deputy Commissioner. This movement and churn in the executive ranks highlighted the Board's ongoing focus on succession planning and talent management at the CRA, particularly within the ranks of the Agency's executive cadre.

On behalf of the CRA Board of Management, I am pleased to recommend this report to the Minister of National Revenue, the Honourable Keith Ashfield, for tabling in Parliament.

Susan J. McArthur
Chair, Board of Management



"The CRA's unique governance, with the Board as a cornerstone of this structure, is increasingly recognized as a model for other government organizations in Canada and abroad."

Susan J. McArthur

A MESSAGE FROM THE COMMISSIONER AND CHIEF EXECUTIVE OFFICER

As Commissioner and Chief Executive Officer, I am accountable to the Minister of National Revenue for all program matters, and to our Board of Management for administrative matters. I am proud to report that the Canada Revenue Agency (CRA) has once again demonstrated its capacity to achieve meaningful and measurable results for Canadians. While we recognize that we have more to do in some areas, our achievements during this past year provide further evidence of the strength of our core business expertise: administering taxes, collecting revenues, and delivering benefits.

The CRA touches the lives of more Canadians than any other single department or agency in the country. In 2009-2010 we processed about $358 billion in taxes and duties and delivered over $17 billion in benefits and credits to millions of individuals and businesses on behalf of Canada's provinces, territories, other federal departments, and First Nations.

Our 2009-2010 results

During 2009-2010, the CRA placed significant emphasis on ensuring the integrity of Canada's tax and benefits system. We encouraged compliance with tax legislation by designing initiatives that make it harder for individuals and business not to comply. For example, over the past year we successfully targeted areas like aggressive tax planning and tax havens through partnerships with provinces and international tax administrations, and further refined our risk assessment and management tools. Overall, individuals, corporations, businesses that collect GST/HST, and employers continued to demonstrate strong levels of voluntary compliance with their registration, filing, and remittance obligations. Our robust system of checks and balances, coupled with the legislative and other compliance tools available to us, provide assurance that Canada's revenue base is being protected.

We continued to strengthen service as a means of increasing levels of voluntary compliance. In 2009-2010, we took further steps to make it easier for Canadians to comply by improving access to tax and benefit information and interactive tools.

In our day-to-day activities, we met most of our performance targets for 2009-2010. For those that we did not meet, we sought to understand the factors involved—such as the recent economic downturn—to identify steps we can take to improve performance in the future.

One particular challenge that we face, which is shared by tax administrations worldwide, is the measurement of the impact of our activities to detect and address non-compliance. Although we continue to achieve strong ratings overall for our performance management framework, we recognize the need to further refine this area.

"The CRA is known throughout government as a well-managed, leading-edge organization committed to excellence. That commitment is extremely important in these still-uncertain economic times, when more Canadians than ever depend on the benefit programs the CRA administers."

Linda Lizotte-MacPherson

Management Results

The 2009-2010 assessments from the Treasury Board of Canada Secretariat and our own Board of Management showed that the CRA rates strongly in most areas of management.

Moving forward

November 2009 marked the end of our first decade as an agency. The programs and services that we provided over the last 10 years made an important difference in the lives of Canadians. We took on new business, developed and adapted how we worked, built on our management initiatives, and ensured that we continued to deliver on the expectations and needs of taxpayers, businesses, and our government clients. None of this would have been possible without the dedication and hard work of our skilled employees. Their collective knowledge will continue to help us provide innovative and efficient services to individuals and businesses on behalf of the Government of Canada, other levels of government, and First Nations communities.

Our reputation as a world-class tax administration is well-earned and we are proud of our accomplishments over the past year. In submitting this report to the Minister for tabling to Parliament, I would like to extend my sincere thanks to all of my coworkers, managers, and union leaders who have made the CRA's successes possible. As we move forward, I remain confident in the dedication, knowledge, and professionalism of our employees as they deliver quality results that matter to Canadians.

L. Lizotte-MacPherson.

Linda Lizotte-MacPherson
Commissioner and Chief Executive Officer
Canada Revenue Agency

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR PERFORMANCE INFORMATION

I submit for tabling in Parliament the *Annual Report to Parliament 2009-2010* for the Canada Revenue Agency (CRA). The *Canada Revenue Agency Act* requires that an annual report be tabled in Parliament. This report includes information about the CRA's performance on the objectives established in its corporate business plan, including the measures and indicators developed to assist in evaluating results.

Management is responsible for maintaining systems and practices that provide reasonable assurance that the performance information presented in this report is consistent, accurate, comprehensive, and balanced. Making estimates and judgments to the best of its abilities, disclosing them appropriately, and developing robust measures and indicators for its strategic outcomes and expected results are also the responsibility of management.

The CRA's Corporate Audit and Evaluation Branch conducts independent reviews of the CRA's management processes (governance, risk management, and internal controls) and the effectiveness of its programs. Also, the Board of Management's Audit Committee oversees management's responsibilities for maintaining internal controls and the financial and results reporting systems; its members meet regularly with internal and external auditors. The Board of Management recommends the annual report to the Minister of National Revenue for approval.

This annual report includes the CRA's results information with the assessment of the Office of the Auditor General, as shown on the next page.

The CRA also produces an annual Departmental Performance Report (DPR), as Treasury Board requires of all federal departments and agencies. It is tabled in Parliament separately from the *Annual Report to Parliament 2009-2010* and provides a more operational view of the CRA's performance.

L. Lizotte-MacPherson.

Linda Lizotte-MacPherson
Commissioner and Chief Executive Officer
October 15, 2010

The Auditor General's assessment of the CRA's performance information covers only the information presented in the section of this report entitled "Our 2009-2010 Results." The assessment is based on a review designed to provide a moderate level of assurance and does not constitute an audit.

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR GENERAL'S ASSESSMENT

of Performance Information in the Canada Revenue Agency's 2009-2010 Annual Report to Parliament

To the Commissioner and the Board of Management of the Canada Revenue Agency and the Minister of National Revenue

What I Assessed

As required by the *Canada Revenue Agency Act*, I have assessed the fairness and reliability of the Canada Revenue Agency's performance information for 2009-2010 with respect to the objectives established in its corporate business plan.

Management's Responsibility

The performance information reported in the Agency's performance report is the responsibility of management.

My Responsibility

My responsibility is to assess the fairness and reliability of the performance information included in the Agency's annual report against the objectives established in its corporate business plan.

My assessment covered only the performance information included in the section of its annual report titled "Our 2009-2010 Results", on pages 19 to 94. It did not include an assessment of the objectives set out in the corporate business plan or information referenced by Web links included in the report. My responsibility does not extend to assessing or commenting on the Agency's actual performance.

The Nature of My Assessment

My assessment consisted of a review performed in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants. The assessment consisted primarily of enquiry, analytical procedures, and discussion related to the performance information. I conducted this assessment using the criteria for the assessment of fairness and reliability described in the Annex.

An assessment based on a review provides a moderate level of assurance and does not constitute an audit. Consequently I do not express an audit opinion on the Agency's performance information.

Conclusion

Based on my assessment, nothing has come to my attention that causes me to believe that the Agency's performance information for 2009-2010, with respect to the objectives established in its corporate business plan, is not, in all significant respects, fair and reliable using the criteria described in the Annex to this report.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
13 October 2010

Annex

CRITERIA FOR THE ASSESSMENT OF FAIRNESS AND RELIABILITY
OFFICE OF THE AUDITOR GENERAL OF CANADA

The following criteria were developed to assess the fairness and reliability of the information about the Agency's performance with respect to the objectives in its corporate plan. Two key issues were addressed: Has the Agency reported on its performance with respect to its objectives? Is that information fair and reliable? Performance information with respect to objectives is fair and reliable if it enables Parliament and the public to judge how well the entity or program in question is performing against the objectives it set out to accomplish.

FAIRNESS

RELEVANT	The performance information reports in context, tangible, and important accomplishments against objectives and costs.
MEANINGFUL	The performance information describes expectations and provides benchmarks against which performance is compared.
ATTRIBUTABLE	The performance information demonstrates why the program made a difference.
BALANCED	A representative and clear picture of performance is presented, which does not mislead the reader.

RELIABILITY

RELIABLE	The performance information adequately reflects the facts.

These criteria were developed specifically for the assessment. The Canada Revenue Agency has acknowledged that they were suitable for the assessment.

More information on the criteria is available on our Web site at
http://www.oag-bvg.gc.ca/internet/English/meth_gde_e_10217.html

TABLE OF CONTENTS

Annual Report to Parliament 2009-2010

Our 2009-2010 Results ... 17

  Strategic Results ... 19

    Achieving Our Tax Services Strategic Outcome ... 23
    Achieving Our Benefit Programs Strategic Outcome ... 41

  Our Day-to-day Activities ... 49

    Taxpayer and Business Assistance ... 51
    Assessment of Returns and Payment Processing ... 57
    Accounts Receivable and Returns Compliance ... 63
    Reporting Compliance ... 71
    Appeals ... 81
    Benefit Programs ... 89

Agency Governance ... 95

    The CRA Board of Management ... 95
    Management Results ... 101

Schedules ... 109

Financial Statements ... 137

ABOUT THIS REPORT

The *Annual Report to Parliament 2009-2010* is structured to guide the reader through a comprehensive, concise, discussion of the results achieved by the Canada Revenue Agency (CRA) during the past fiscal year. As required by the legislation that governs the CRA, this document includes information that reports against the objectives set out in our *Corporate Business Plan 2009-2010 to 2011-2012.*

Our 2009-2010 Results

Strategic Results

After introducing the context in which the CRA operates and the methodology we use to assess the results we achieved, the Strategic Results sections report on progress made to maintain or improve our capacity to achieve our mandate. In addition, we provide measurement information to demonstrate how we reach our conclusions about whether we have met our strategic outcomes, with a focus on the actions of individuals and businesses.

Our Day-to-Day Activities

To achieve immediate results, the CRA provides products and services intended to help individuals and businesses meet their legal obligations as easily as possible, as informed and responsible citizens. Our approach hinges on a system of checks and balances to ensure that everyone actively participates in and takes responsibility for their role in maintaining Canada's tax and benefits system. We report here on the activities that we undertook to help ensure that individuals and businesses complied with tax laws, and we indicate progress made toward meeting our expected results.

Agency Governance

This section includes two chapters that report on how the CRA manages itself. The first describes our Board of Management and its activities in carrying out its oversight role. The second addresses progress we made in common areas across our organization, including oversight, information technology, and human resource and risk management.

Schedules and Financial Statements

The sections at the end of the report offer supplementary information on our governance structure, service standards, and other items of interest. The financial statements for the CRA contain both audited and unaudited information on our 2009-2010 financial performance.

> **"The Canada Revenue Agency demonstrates credible, reliable performance reporting and appears to systematically track planned and actual performance. In addition, it is recognized that the CRA continually uses performance information for decision-making, reflective of results-based management."**
>
> MAF Assessment 2008 – Treasury Board of Canada

STRATEGIC RESULTS

INTRODUCTION

The Canada Revenue Agency (CRA) exercises its mandate within a framework of complex laws enacted by Parliament and by provincial and territorial legislatures. In 2009-2010 we processed about $358 billion in taxes and duties ($8 billion less than in 2008-2009) on behalf of Canada, the provinces (except Quebec) and territories, and First Nations. We also delivered over $17 billion in benefits and credits, and provided other services that contributed directly to the economic and social well-being of Canadians. In short, no other public organization touches the lives of Canadians every day more than we do.

The contribution we seek to make to Canadian society is summarized by the following strategic outcomes:

- Taxpayers meet their obligations and Canada's revenue base is protected.
- Eligible families and individuals receive timely and correct benefit payments.

In addition to administering tax and benefit programs, we administered harmonized sales tax for three provinces and verified taxpayer income levels in support of a wide variety of federal, provincial, and territorial programs, ranging from student loans to health care initiatives. We also provided other services, such as our Refund Set-off Program, through which we helped other federal departments and agencies, as well as provincial and territorial governments, collect debts that might otherwise become uncollectable. See page 63 for more information about our collection programs.

During 2009-2010, we

- processed about $358 billion in payments of taxes and duties — averaging $1.4 billion every working day—and
- made benefit and credit payments worth more than $17 billion distributed to over 11 million Canadian recipients.

SPENDING AND HUMAN RESOURCES

	2009-2010		
(in thousands of dollars)	Total Authorities	Actual Spending	Variance
Tax Services Strategic Outcome: Taxpayers meet their obligations and Canada's revenue base is protected	3,083,945	**2,992,564**	91,381
Benefit Programs Strategic Outcome: Eligible families and individuals receive timely and correct benefit payments	342,634	**342,440**	194
Internal Services: Supports all strategic outcomes	1,156,451	**1,068,803**	87,648
Taxpayers' Ombudsman Strategic Outcome:[1] Taxpayers and benefit recipients receive an independent and impartial review of their service-related complaints	3,130	**2,741**	389
Total Spending	**4,586,160**	**4,406,548**	**179,612**

	Planned	Actual[2]	Variance
Full-time equivalents (FTEs)	39,481	**40,228**	(747)

[1] Since the Taxpayers' Ombudsman operates at arms-length from the CRA, this Annual Report to Parliament does not reflect the activities of that office.

[2] In accordance with direction from the Treasury Board of Canada Secretariat, the CRA no longer apportions its Internal Services spending among its Program Activities. As a result, the 2009-2010 expenditures (dollars and FTEs) reported at the Program Activity level are not comparable with those reported in the prior year.

Performance Ratings

Met: Our results met or exceeded our expectations.

Mostly met: While the results met most of our expectations, some gaps exist.

Not met: Significant gaps exist in results and most or key expectations were not met.

Data Quality Ratings

Good: Based on management judgment supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods.

Reasonable: Based on management judgment supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods.

Weak: Significant gaps in robustness of results information; results rating based on management judgment supported by entirely or predominantly qualitative information from informal sources or methods.

RATING OUR RESULTS

We use qualitative and quantitative indicators, also called measures, to determine the results achieved in terms of our strategic outcomes and expected results. We gather operational data, statistical samples, and survey results that form the basis for our assessments. We continue to face challenges in strengthening our indicators; in particular, ones that are concrete and allow us to make clear links between our achievements and our strategic outcomes and expected results. To this end, we share information with other tax administrations on results measurement through various international forums. In addition, the CRA participates in international initiatives to benchmark key aspects of tax administration with jurisdictions from around the world.

We also rate our strategic results and those of our program activities in terms of whether the targets identified in our *Corporate Business Plan 2009-2010 to 2011-2012* were met, mostly met, or not met.

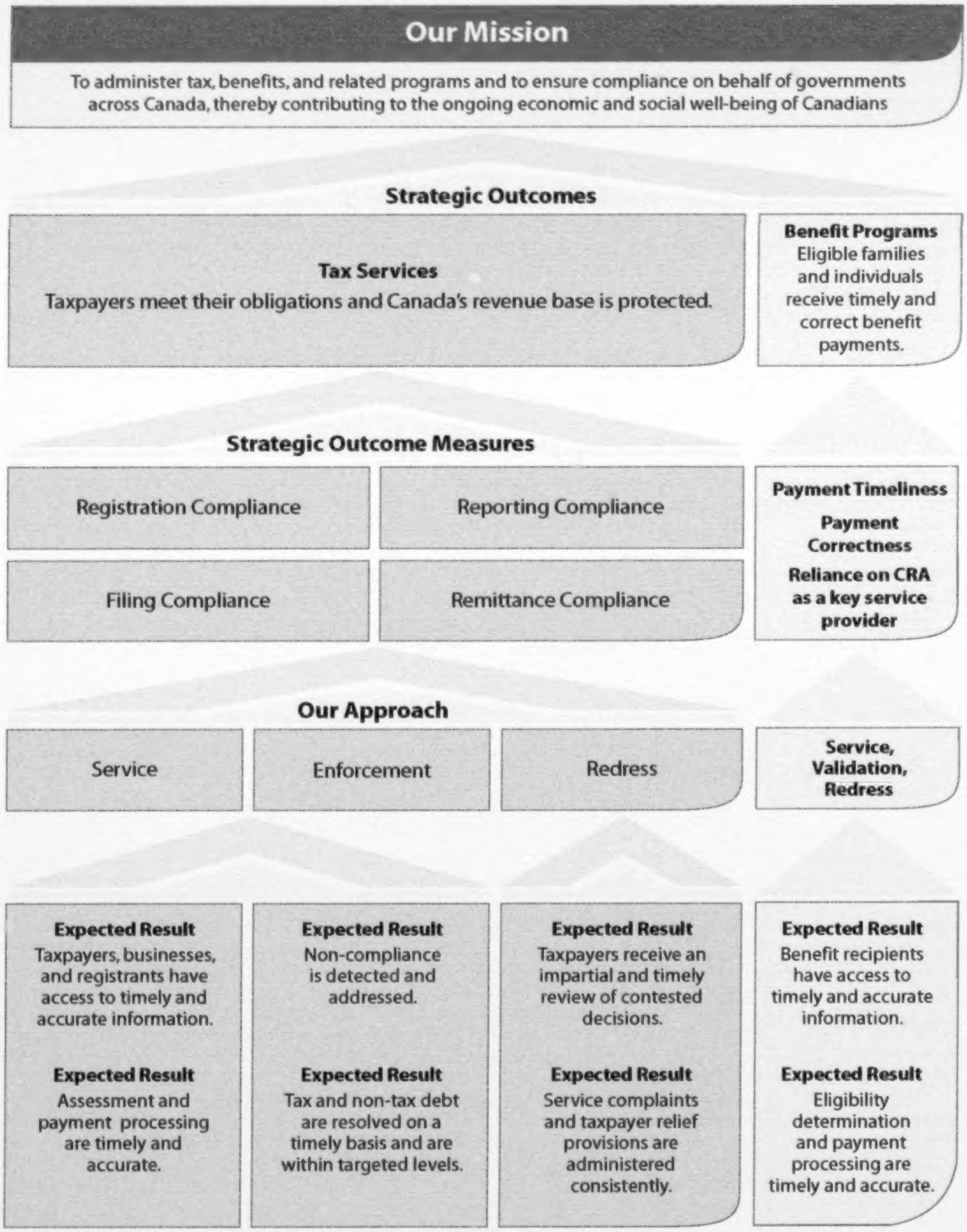
Our targets identify the percentage or degree we expect to attain for a performance level. Where targets are numeric, they are listed beside each indicator. Our management teams establish performance targets by analyzing affordability constraints, historical performance, the complexity of the work involved, and the expectations of Canadians.

Strategic results chain

The *Annual Report to Parliament 2009-2010* is a comprehensive reporting of our results established at various levels in a results chain.

At the higher levels of the chain, it becomes challenging to directly demonstrate our influence. The lower part of the chain shows the expected results that we work toward to achieve our strategic outcomes. We use our strategic outcome measures as indicators of Canadians' behaviour, to determine whether we have met our strategic outcomes. We assess our overall performance in the section entitled "Our Day-to-Day Activities" and rate these results against the key indicators and targets set out in our *Corporate Business Plan 2009-2010 to 2011-2012*.

Strategic Results Chain



Our Mission

To administer tax, benefits, and related programs and to ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic and social well-being of Canadians

Strategic Outcomes

Tax Services
Taxpayers meet their obligations and Canada's revenue base is protected.

Benefit Programs
Eligible families and individuals receive timely and correct benefit payments.

Strategic Outcome Measures

- Registration Compliance
- Reporting Compliance
- Filing Compliance
- Remittance Compliance

Payment Timeliness

Payment Correctness

Reliance on CRA as a key service provider

Our Approach

Service	Enforcement	Redress	**Service, Validation, Redress**
Expected Result Taxpayers, businesses, and registrants have access to timely and accurate information.	**Expected Result** Non-compliance is detected and addressed.	**Expected Result** Taxpayers receive an impartial and timely review of contested decisions.	**Expected Result** Benefit recipients have access to timely and accurate information.
Expected Result Assessment and payment processing are timely and accurate.	**Expected Result** Tax and non-tax debt are resolved on a timely basis and are within targeted levels.	**Expected Result** Service complaints and taxpayer relief provisions are administered consistently.	**Expected Result** Eligibility determination and payment processing are timely and accurate.

Office of the Taxpayers' Ombudsman

The Office of the Taxpayers' Ombudsman was established in 2008 and operates independently and at arms length from the CRA. It reports directly to and is accountable to the Minister of National Revenue.

The Taxpayers' Ombudsman is responsible for ensuring that the CRA respects the service rights outlined in the Taxpayer Bill of Rights. Its role is to also conduct impartial and independent reviews of service-related complaints about the CRA, facilitate taxpayer access to assistance within the CRA, identify and review systemic and emerging service-related issues within the CRA that have a negative impact on taxpayers, and provide advice to the Minister of National Revenue about service-related matters in the CRA.

For more information about the Taxpayers' Ombudsman, visit www.taxpayersrights.gc.ca.

STRATEGIC RESULTS

ACHIEVING OUR TAX SERVICES STRATEGIC OUTCOME

The tax services activities carried out by the CRA directly touch the lives of over 30 million Canadians, as well as thousands of businesses, trusts, and other organizations. We act on behalf of the Government of Canada and provincial and territorial governments, and certain First Nations, to administer, assess, and collect taxes.

Strategic Outcome	Our Assessment
Taxpayers meet their obligations and Canada's revenue base is protected.	Met

Our goal

As in previous years, the goal we pursued in 2009-2010 was to ensure the integrity and fairness of Canada's tax system.

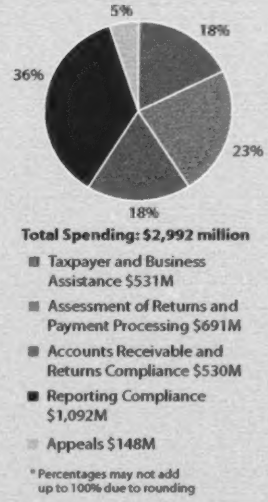
Our outcome

During 2009-2010, we achieved further progress in making it easier for taxpayers to comply and making it harder for them to be non-compliant. As reflected in our measures of compliance behaviour beginning on page 31, the majority of taxpayers, businesses, and registrants are meeting their obligations. On the other hand, our estimates of reporting compliance indicate that there may be more dollars at risk for some taxpayer sectors. Overall, we are confident that non-compliance levels are relatively low, although the dollar value of non-compliance is financially significant.

Our challenge

We face the ongoing challenge of maintaining high levels of compliance in an environment where demographics, societal values, technology, and economic conditions are changing at an ever-faster rate.

Spending Profile



(in thousands of $)

Total Authorities 2009-2010

$3,083,945

Actual Spending 2009-2010

$2,992,564

Variance

$91,381

TAXPAYERS MEET THEIR OBLIGATIONS AND CANADA'S REVENUE BASE IS PROTECTED

The contribution of others

The work that we do is made easier through:

- a strong legislative foundation;
- employers, who collect and remit source deductions;
- Revenu Québec, which administers the GST within Quebec;
- financial institutions;
- law enforcement agencies; and
- international organizations and foreign tax administrations.

A well-functioning tax system is critical to the ability of federal, provincial, territorial, and First Nation governments to deliver programs and services that are important to Canadians and Canadian businesses. As Canada's tax administrator, the CRA exercises its mandate within a framework of laws enacted by Parliament and by provincial and territorial legislatures. Under the Tax Services strategic outcome, we work to promote taxpayer compliance and protect Canada's revenue base. We do this by delivering a number of programs that help taxpayers meet their obligations, and we detect and address instances where this does not occur.

Our focus

The Canadian tax system is based on voluntary compliance and self-assessment. Taxpayers are expected to determine how much tax they owe under the law and then pay the correct amount of tax. The CRA's fundamental approach to tax administration is to have individuals and businesses comply with their obligations without our intervention. We believe that promoting voluntary compliance is the most cost-effective way to administer taxes in Canada.

Compliance with Canada's tax laws means that taxpayers:

- register as required under the law in specific circumstances (for example, for the GST);
- file returns on time;
- report complete and accurate information to determine tax liability; and
- pay all amounts when due.

Non-compliance is when taxpayers do not meet any one of these obligations.

We strive to minimize the compliance burden for taxpayers by streamlining administrative processes and providing quality service, while respecting the intention of relevant legislation. Where individuals and businesses either unintentionally or intentionally fail to fully comply, we use a wide range of mechanisms in our verification and enforcement programs to induce taxpayer compliance and to protect Canada's revenue base. When taxpayers disagree with us, we provide them with the opportunity for redress, which is a formal, objective review of their file. This fosters taxpayers' confidence in the fairness of our self-assessment system, and encourages them to meet their obligations voluntarily.

Underpinning this approach is our use of risk management to identify current and emerging compliance risks, and to assess them for their potential effect on the revenue base and on compliance. We then develop strategies for mitigating the greatest risks to compliance. These strategies address specific segments of the tax population or particular areas of non-compliance, using a mix of instruments and activities, such as outreach activities or audits. Part of our approach to compliance is to maintain an audit presence across all industry sectors and for all types of taxpayers. Overall, we believe this approach helps promote voluntary compliance and deters non compliance by increasing the credibility and visibility of our compliance programs.

Our influence on taxpayer behaviour

We recognize that many factors affect taxpayer behaviour. These factors include the public's perception of government, the values held by society, the economy and people's ability to pay, all applicable legislation, people's feelings about the fairness of Canada's tax regime, and the growing complexity of taxpayer issues.

Other factors also contribute to the outcome we seek. We are aided by legislation that reduces the risks of non-compliance; for example, the *Income Tax Act* requires employers to withhold and remit deductions at source. We also support the Department of Finance as it seeks appropriate legislation by providing information on compliance challenges that we have identified and the costs of administering proposed legislative changes.

In addition, financial institutions offer convenient, accessible services that enable taxpayers to receive and deposit refunds and remit tax payments on time. We also work with international tax administrations and organizations to share expertise and research results, as well as to discuss emerging compliance issues. Notwithstanding these factors, the CRA's administration of Canada's tax laws plays a key role in shaping taxpayers' compliance behaviour. Our efforts toward achieving our expected results contribute significantly toward achieving our strategic outcome. The results identified through our strategic outcome measures provides evidence in support of our conclusion that taxpayers meet their obligations and Canada's revenue base is protected.

Our focus

We continually strive to develop a sound understanding of taxpayer behaviour and the reasons for non-compliance, to enable us to direct our resources to areas of highest risk to Canada's revenue base.

Achieving Our Business Objectives

Our *Corporate Business Plan 2009-2010 to 2011-2012* outlined two objectives that governed our strategies during this past fiscal year. They were:

1. Strengthening service–making it easier to comply; and
2. Tax integrity–making it harder to be non-compliant.

Achieving these objectives involves significant challenges that we have been addressing for several years, investing considerable resources through both short-term and longer-term initiatives.

In the following sections, we will report against the most critical of these initiatives, identifying progress made during 2009-2010.

Our key initiatives under strengthening service

Taxpayers are the focus of our service work. We are committed to providing timely and accessible information and services to make it easier for taxpayers to comply with their obligations and receive their rightful share of entitlements. Each tax service we deliver must be integrated with our compliance strategy and must consider costs and our capacity, as well as the needs and expectations of the individuals, businesses, and government clients we deal with every day.

CRA Service Strategy

In December 2008, we launched a comprehensive three-year service strategy aimed at refining our service delivery model so that we can deliver services through multiple, integrated, and accessible channels, while encouraging and enabling more Canadians to conduct their tax and benefits affairs with the CRA electronically and on a self-service basis.

In support of these service objectives (see Service Strategy results achieved on page 28), we have undertaken specific activities and projects as part of three broad activities:

- expand the suite of self-service options;
- optimize the telephone channel; and
- strengthen outreach and communication.

Our Service Strategy

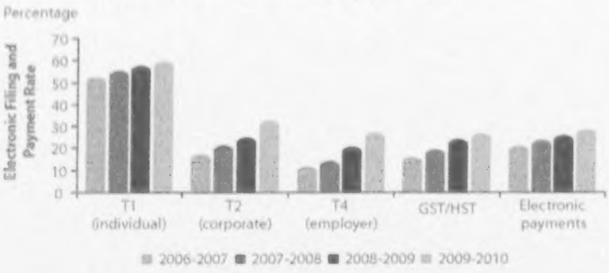
The CRA Service Strategy is centred around four goals:

- services are accessible to all taxpayers;
- the majority of taxpayers conduct their tax and benefit affairs with the CRA on a self-service basis;
- service enhances and maintains trust and confidence in the CRA; and
- service supports compliance.

Expand the suite of self-service options

It is our aim to enable taxpayers dealing with the CRA to self-serve, more often and for more transactions, and we encourage them to do so by actively promoting self-serve options. As we continue to study and monitor how taxpayers use traditional service channels that involve agent assistance, we will better see how to expand the capacity for taxpayer self-service on the Web. Canadians are becoming more Internet-literate, and advances in the public and private sector are creating an external pull for a greater electronic service presence for the CRA.

Figure 1 Rates of Electronic Filing and Payment



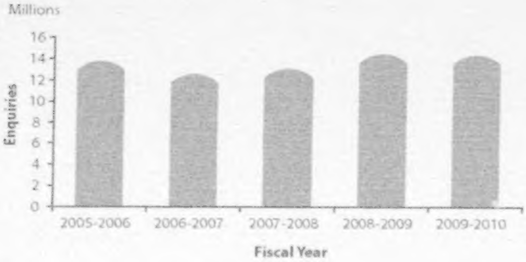
Data quality: Good

Electronic self-service is the most economical means of reaching the greatest number of individuals and businesses and it represents the best opportunity to respond to the evolving service expectations of taxpayers. Our Smartlinks program supports taxpayers who self-serve by providing direct telephone access to tax experts and provides us the opportunity to solicit feedback in order to improve the Web site. In 2009-2010, we expanded this feature to the transactional pages of our My Business Account electronic service.

Optimize the telephone channel

While many Canadians use electronic self-service options, we continue to serve and support taxpayers through more traditional channels. For example, a large number of taxpayers interact with us over the telephone.

Figure 2 Agent-Assisted Enquiries



Data quality: Good

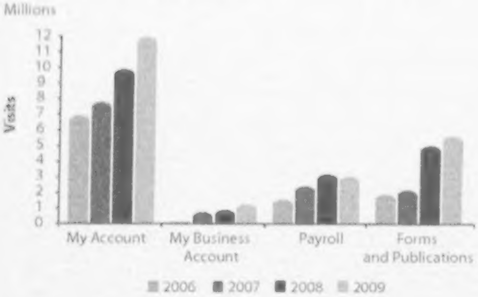
Comprehensive automated response systems provide service 24 hours a day, seven days a week. During regular business hours, we can route calls among call centres as demand increases or decreases. This allows us to use our resources more effectively, reduce costs, provide extended hours of service, and efficiently resume our business after any service interruption.

Taxpayers continue to rely on agent-assisted services, which are predominantly provided by telephone. We are improving our understanding of why taxpayers use the telephone through our Profile of Enquiries studies. We are also providing our agents with more updated and relevant reference tools, and making system improvements to ensure the information agents provide to callers is consistent. This will ensure that our agent-assisted telephone services meet taxpayers' needs.

Although an accessible and effective telephone channel is a cornerstone of our approach to service, we are committed to providing Canadians with a full range of electronic services to help them meet their tax obligations as easily as possible on their own.

Strengthen outreach and communication

Figure 3 Visits to CRA Web-Based Tax Products



Data quality: Good

Through our communication and outreach activities, we deliver the information taxpayers need to meet their obligations. Given changing demographics, compliance risks, and other key trends, outreach programs and communications activities delivered by programs across the CRA must continually adapt. They must also be fine-tuned to the needs of specific taxpayer subgroups such as seniors, new Canadians, youth, small or new businesses, and high-risk sectors.

In 2009-2010, we worked with several government departments and agencies to reach out to different segments and communities to deliver tailored services or messages. Partners included Agriculture and Agri-Food Canada, Human Resources and Skills Development Canada, the Financial Consumer Agency of Canada, and the Province of Manitoba. We also continue to build on partnerships with the provinces of Ontario and British Columbia to provide information sessions on the transition to the harmonized sales tax.

Outreach

In 2009-2010, we started to evaluate the effectiveness of our outreach services for new business registrants in the Atlantic region.

Our analysis of 2008 T4 Summary filings of new businesses shows that those who received a visit from the CRA were 1.1% more likely to file. The analysis of the impact of this outreach is ongoing, and will include other aspects of taxpayer behaviour, such as filing, reporting, and paying of taxes.

To deliver information on various tax matters, including the new harmonized sales tax in Ontario and British Columbia, we used webinars and webcasts as outreach tools. This gave taxpayers in remote areas easy access to information. We also conducted a call-out campaign to give rural small business owners in Ontario and British Columbia information about the upcoming implementation of harmonized sales tax in their provinces.

Service Strategy results achieved

After the first year of implementation, we have made notable progress toward our service objectives and are making advances in implementing our initiatives.

With respect to the objective to consistently set and meet meaningful service standards for service, the CRA met 14 of the 16 selected service standards, and mostly met the remaining two standards.

In 2009-2010, 63.8% of interactions and transactions were undertaken on a self service basis by individual and business taxpayers and benefit recipients, up from 61.4% in the previous year. This represents an increase of 3.9% from one year ago and places us firmly on track to attain our objective of a 5% increase by 2012.

The first year of implementation of our Service Strategy saw progress toward our objective of increasing the level of satisfaction for overall quality among individual taxpayers by 5%. There was an increase of 1.6% in the level of satisfaction for service quality, with 63% of taxpayers who contacted the CRA reporting their level of satisfaction as either "satisfied" or "very satisfied."

Our Compliance Communication Strategy

We improve taxpayer compliance by influencing public perception and opinion. We conduct a number of activities that follow from our Compliance Communication Strategy, which seeks to influence taxpayer behaviour by informing the public about the risks and consequences of non-compliance and by explaining what the CRA is doing to combat particular forms of non-compliant behaviour.

For example, a pamphlet entitled "Tax havens to avoid paying tax—worth the risk?" was published in 2009-2010, as were a number of new releases and tax alerts, such as "Tax cheating is a crime."

Our key initiatives under tax integrity

Our *Corporate Business Plan 2009-2010 to 2011-2012* identified the following three key initiatives which were pursued during this past fiscal year:

- build on our Compliance Communications Strategy;
- broaden information exchanges; and
- enhance our relationships with others.

In addition to these initiatives, we undertook improvements to our programs to enhance our organizational capacity to manage tax and government programs debt. Our accomplishments in this area follow the discussion of these key initiatives.

Building on our Compliance Communications Strategy

Communication can significantly affect public perception of the CRA, influence positive compliant behaviour, and deter acts of non-compliance. For Canadians who do comply, communication about what the CRA is doing to combat tax cheating reassures them that we are serious about this matter. For those who are considering not complying or who do not comply, publicizing the consequences of non-compliance may act as a deterrent and lead them to rethink the risk associated with tax cheating.

For example, during 2009-2010 we developed a suite of directives that sets the direction of our future communication with taxpayers by issuing tax alert messages and publishing criminal convictions obtained by the CRA through the judicial process.

We also communicated with Canadians about the risks and consequences of using tax havens to avoid paying taxes, and about the actions that we take to counter these abusive practices. A pamphlet to inform taxpayers who are potential users of tax havens was published in 2009.

Broadening information exchanges

Our approach to compliance is supported through co-operation with other tax administrations, federal stakeholders, and international organizations. During the 2009-2010 fiscal year, we formed partnerships with a number of agencies to advance our compliance agenda. They include the Combined Forces Special Enforcement Units, Criminal Intelligence Service of Canada, Royal Canadian Mounted Police, Financial Transactions Reports Analysis Centre of Canada, and various provincial security regulators.

We enhanced our relationships with other tax jurisdictions through tax treaties and tax information exchanges. In 2009-2010, we participated with the Department of Finance Canada in negotiations to update existing treaties with Australia, Malaysia, the Netherlands, New Zealand, Poland, Singapore and Switzerland. We similarly pursued tax information exchanges with Anguilla, Aruba, Bahamas, Bahrain, Bermuda, Cayman Islands, Dominica, Guernsey, Jersey, Liberia, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, San Marino, and Turks and Caicos. These enhanced relationships improve our ability to conduct international compliance work by providing the CRA with access to offshore tax information, including bank information, notwithstanding bank secrecy legislation.

Enhancing our relationships with others

Our relationship with the Department of Finance Canada is critical to the success of our strategies. In 2009-2010, we worked with that department to prepare for the implementation of the Harmonized Sales Tax in Ontario and British Columbia.

We maintained a strong presence in international organizations such as the Inter American Center of Tax Administrations, the Commonwealth Association of Tax Administrators, and the Centre de Rencontres et d'Études des Dirigeants des Administrations Fiscales in order to advance protocols and practices to guide the work of tax administrations around the world.

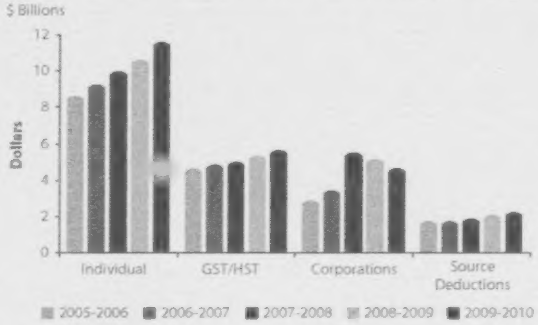
Making non-compliance more difficult has a significant international dimension that relates to aggressive tax planning and the abusive use of tax havens. In 2009-2010, we worked with a number of international groups, such as the Organisation for Economic Co-operation and Development, to identify and respond to compliance threats. We also worked with multilateral compliance groups, such as the Joint International Tax Shelter Information Centre, with whom we conduct analyses of compliance issues.

Debt management

Effective debt management is essential to protecting Canada's revenue base. We collect debt once the account's risk of loss has been assessed, and initiate appropriate actions to protect the Crown's interest.

Over the past several years, we have significantly augmented our research capacity to enable us to better understand and manage debt. Our work in this area has allowed us to use information on taxpayer characteristics, compliance behaviour, and other factors to construct risk-based models that help us select appropriate and effective approaches for specific debtor cases. In 2009-2010, we began to use our risk-based approach to identify the right compliance response for individual debtors, ranging from helping individuals further understand their obligations, to undertaking swifter and firmer responses with those whose history demonstrates a higher risk of non-compliance. Our risk-based selection models are being integrated into our decision-making to more effectively manage the tax debt accrued by both taxpayers and businesses.

Figure 4 Trend and Composition of Total Tax Debt



Data quality: Good

Parallel to our research efforts, we continued to develop and implement risk-based approaches in 2009-2010 to address specific segments of our debt inventory that present us with greater challenges. Also, in an attempt to influence taxpayer behaviour and make it easier for the growing number of taxpayers who access our electronic services to comply with their remittance requirements, we added payment options to the catalogue of e-services. We also commenced the implementation of Phase II of our National Insolvency Strategy, with the goal of improving the coordination and management of complex filings under the *Companies' Creditors Arrangement Act*. In addition, sectors of the CRA worked together to better manage collections related to aggressive international tax planning cases, an effort that has produced valuable information. Such improvements will serve both taxpayers and the CRA by enhancing our ability to address the current global accounts receivable inventory.

Further information on our improved approach and the activities we undertook in 2009-2010 to collect tax and non-tax debt can be found in the section entitled Our Day-to-day Activities on page 49.

Our risk-based approach to compliance

We devote more of our compliance and enforcement resources to areas where our analysis shows that the risk and potential revenue consequences of non-compliance are highest.

The activities we undertake to ensure compliance are guided by research into existing and emerging non-compliance trends and threats to the tax base. This research supports our risk-assessment systems, which examine the characteristics of taxpayers to detect areas of possible non-compliance.

Our strategic outcome measures

We use our strategic outcome measures to gauge the compliance behaviour of Canadian taxpayers. Using data from internal and external sources as a baseline of compliance information, we group our indicators into four broad categories of taxpayer obligations to help measure and assess our results against our tax services strategic outcome. These four categories are:

- Registration Compliance,
- Filing Compliance,
- Remittance Compliance, and
- Reporting Compliance.

To facilitate further research and discussion of compliance, we analyze the following segments of the population: individuals, self-employed individuals, corporations, GST/HST registrants, and employers. Our discussion of compliance includes macro-indicators which help us evaluate reporting compliance trends and to determine if the economic data provides an early indication of a change in the levels of compliance

Registration Compliance

Our Measure	Year	Performance Rating	Data Quality
Registration compliance – Rates of registration for the GST/HST	**2009-2010**	**Met**	**Good**
	2008-2009	Met	Good

Our Indicator[1]	**Current Target**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**	**Rating**
Canadian businesses that were registered for the GST/HST[2]	90%	97.2%	97.8%	98.4%	95.8%	93.5%	✓

[1] Data for the 2005-2006 to 2008-2009 period has been restated as more complete and accurate information has become available.

[2] These estimates use the number of businesses who file timely returns as a proxy for registrants. The population of businesses includes some small businesses which are not required to register as part of the calculation. As a result, the estimate may understate the proportion of businesses who actually register to collect GST/HST.

✓ Met	☑ Mostly Met	✗ Not Met
n/a Not Available	N/A Not Applicable	

Registration compliance

Historically high rates of registration compliance indicate relatively low risk that medium-sized or large enterprises carry on businesses without being registered to collect the GST/HST.

Our estimates of the rate of registration compliance have remained consistently above our target over the past several years. By comparing our data with information from Statistics Canada, we estimate that 93.5% of businesses were registered voluntarily to collect GST/HST in 2009-2010. This met our high degree of registration compliance target, set at 90%, considering that many businesses are not required to register to collect the GST/HST because, for example, their gross revenues are below the registration threshold set by law for their type of business.

Our assessment is also supported by the results from our non-registrant program (discussed on page 63), which seeks to ensure that all businesses that are required to register for the GST/HST meet their obligations. Each year, this program identifies several thousand small businesses that are required to register, mostly those that are new or that recently exceeded the registration threshold. We are persuaded, therefore, that there is a very low risk that medium-sized or large enterprises are carrying on business without being registered to collect the GST/HST.

Filing Compliance

Our Measure	Year	Performance Rating	Data Quality
Filing compliance – Rates of filing on time	**2009-2010**	**Mostly Met**	**Good**
	2008-2009	Mostly Met	Good

Our Indicators	**Current Target**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**	**Rating**
Individuals 18 years and older who filed their returns on time	90%	92.8%	93.0%	92.5%	92.8%	92.8%	✓
Corporations – Taxable incorporated businesses that filed their returns on time[1]	90%	86.4%	86.4%	85.8%	84.4%	85.5%	✗
Businesses that filed their GST/HST returns on time	90%	91.8%	91.4%	n/a	90.5%	n/a	N/A
Employers who filed their T4 returns on time	90%	94.5%	96.0%	95.5%	96.4%	96.3%	✓

[1] The remaining percentage of taxable corporations used for this calculation filed their returns after the due date, either voluntarily or as a result of our non-filer work.

✓ Met	☑ Mostly Met	✗ Not Met
n/a Not Available	N/A Not Applicable	

Filing compliance

Our filing compliance measures demonstrate, on balance, a high degree of voluntary compliance with taxpayers' obligations and a low risk to the protection of Canada's revenue base.

To gauge the compliance of individual taxpayers with their obligation to file a timely return, we compare our data for individual filers 18 years of age and older with Statistics Canada's Census of Population data for this population. For 2009-2010, 92.8% of this population filed their tax return on time, exceeding our 90% target. In fact, these estimates have consistently remained above the 92.5% level for every year since the 2001-2002 reporting year, providing a reliable trend for the high degree of voluntary filing compliance that we observe.

In addition, our research on filing behaviour shows that, of the remaining individuals who were not compliant (7.2% in both 2005-2006 and 2009-2010), a large majority file their return within five years. For instance, although 92.6% of individuals filed their returns on time for the 2003 tax year, this percentage rose to 97.4% in less than five years. Filing for the following tax year (2004) showed exactly the same pattern, reaching 97.4% in less than five years, and filing behaviour for subsequent years follows a similar trajectory. We have learned from this research that the majority of non-compliant individual filers comply within about five years, indicating a long-term non-filing rate of about 2.6% for the 18-year-and-older population. Over the last six tax years, more than two thirds of the returns filed late owed no taxes for any tax year at the time of filing, with the remaining third owing taxes for at least one tax year.

It is important to note that a number of individuals have no legal obligation to file a tax return because, for example, their income is below the filing threshold and they are not subject to any special provisions (e.g., disposition of capital property) that would otherwise require them to file. While some of these individuals file to claim social benefits, such as the Canada Child Tax Benefit and the GST/HST credit, others are not entitled to these benefits or do not wish to participate. Our research found that almost 9% of individuals who filed late declared their total income as nil in at least one of the last six years that we studied.

Known individuals who do not file, and who we anticipate owe tax at the end of the calendar year, are subject to our non-filer program (see page 63). On balance, these estimates and our research demonstrate a high degree of voluntary compliance with filing obligations and a low risk to the protection of Canada's tax base.

In the case of corporations, our compliance rate estimates apply only to corporations that are taxable, which are those that filed a T2 Corporation Income Tax Return showing that tax is payable. The incidence of timely filing among taxable corporations was 85.5% in 2009-2010, about one percentage point higher than the previous year but still below our 90% target. We have found that the majority of late filers actually submitted their returns within a year of their fiscal year-end, raising the filing rate to 92.5% each time.

Our indicator of timely filing of GST/HST returns by Canadian businesses shows that we have met our target over the last few years. Although we were unable to report an indicator for the 2007-2008 and 2009-2010 periods because our systems were undergoing a redesign, it is noteworthy that timely filing of GST/HST returns has exceeded 90% since 2001-2002.

With respect to employers who file their T4 returns on time, our compliance indicator relates to all employers who are obligated by law to deduct, remit, and report federal and provincial income taxes, Canada Pension Plan contributions, Employment Insurance premiums, and employer-provided benefits, whether they are unincorporated businesses, corporations, or charities. For 2009-2010, our indicator shows that 96.3% of these employers filed their T4 information returns on time, exceeding our 90% target. In fact, this indicator has exceeded 94% for every year since the 2001-2002 fiscal year, which assures us of a high degree of filing compliance among Canadian employers.

Remittance Compliance

Our Measure	Year	Performance Rating	Data Quality
Remittance compliance – Rate of timely payments	**2009-2010**	**Mostly Met**	**Good**
	2008-2009	Mostly Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Individuals who paid their reported taxes on time	90%	92.4%	92.9%	91.5%	93.2%	93.7%	✓
Percentage of payable corporation taxes paid on time	90%	92.9%	90.9%	92.4%	92.2%	93.5%	✓
Employers who forwarded at-source deductions on behalf of their employees on time	90%	88.7%	87.7%	89.2%	87.3%	89.9%	☑
Trend in ratio of outstanding tax debt to gross cash receipts[1]	Downward trend	5.64%	5.78%	6.30%	6.65%	6.98%	✗

[1] This indicator has been restated for the 2005-2006 to 2008-2009 period to reflect the latest available information.

✓ Met	☑ Mostly Met	✗ Not Met
n/a Not Available	N/A Not Applicable	

We measure how various taxpayer segments comply with their remittance requirements by the degree to which they paid all taxes, based on their self-assessment, on or before the due date. When monies owed are not paid at the time of filing, we take steps to obtain payment, as explained beginning on page 63.

We estimate that during 2009-2010, the proportion of individuals who paid their entire amount of self-assessed taxes on time was 93.7%, an increase over the prior period. The rate of remittance compliance for individuals exceeded our target of 90% this year, as it consistently has for several years.

Our estimate of remittance compliance for taxable corporations was 93.5% during 2009-2010, an increase over the prior period. Corporations' remittance compliance has also exceeded our target over the last several years.

For employers who remit at-source deductions on behalf of their employees, the rate of timely remittance has been below our target of 90% for several years. This year, however our estimate indicates, that employers have remitted in a more timely fashion compared to previous years, as it reached 89.9% which is fractionally below target. On this basis, we are inclined to conclude that we mostly met our target for this compliance measure.

Remittance Compliance

We believe that our debt management research will help to inform our future strategies, implemented through our Integrated Revenue Collections project, to manage our tax debt inventory and promote remittance compliance.

The last indicator shows outstanding tax debt as a proportion of CRA gross cash receipts. While we do not set a target for this ratio, our expectation is that this indicator shows a declining trend over time.

Reporting Compliance

We conduct various reviews and audits to identify areas where reporting by individuals and corporations may not be consistent with their obligations to report complete and accurate information.

For individual taxpayers, all tax returns are subjected to risk assessment review by CRA systems, which may include a comparison to third party information from employers, financial institutions and other sources. This process improves the accuracy and completeness of information provided by the taxpayer, and identifies many types of non-compliance. In addition to improving the reported information, this process begins to compile and refine non-compliance risk information about taxpayers, about types of deductions, types of credits, and so on, by comparing the filing information over a historical period. Risk scores obtained from this process enable us to perform a number of targeted reviews in each tax year that focus the available resources on taxpayers and line items that pose the greatest risk. At the same time, a review of a random sample of individual tax returns is conducted to learn about the non-compliant behaviour of the entire population of individual taxpayers with respect to key credits and deductions, and to put the effectiveness of our targeted reviews in context.

Results of reviews of individual tax returns	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**
Non-compliance rate	14.7%	14.8%	16.5%	15.4%
Estimated dollars at risk ($million)	669	890	895	987

In 2009-2010, our review programs estimated that 15.4% of claims or deductions made by individuals were non-compliant, meaning they would be disallowed following a review[1]. It should be noted that the number and type of credits and deductions have changed over the 2007-2008 to 2009-2010 period, so that the non-compliance rate shown in the above table represents both changes in compliance and in the scope of the study.

Effectiveness of targeted reviews	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**
Ratio of average additional dollars assessed in targeted over random reviews	3.2	3.6	3.9	3.6

Individual returns are subjected to reviews either because they have been chosen randomly, or because they were identified as presenting a higher risk of non-compliance based on the information generated from the review process, as described above. Although the goal of our program is not simply to assess dollar values, we use an additional metric to gauge the effectiveness of the risk assessment process that informs our targeted reviews, namely, the value of additional

Reporting Compliance

Our risk assessments indicate that non-compliance is more prevalent in the self-employed and small and medium-sized business sectors. A strong audit regime for large businesses, and withholding of tax deductions at source for wage earners, serve to significantly lower the risk of non-compliance in the latter sectors.

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1. Credits and deductions for the random sample in 2009-2010 included an additional credit compared to the previous year with a rate of non-compliance lower than the average. Excluding this item would result in a non-compliance rate of 17%. Similarly, the study that produced the 2008-2009 results included an item that was not part of the key credits and deductions of the prior year. Excluding the latter from both 2008-2009 and 2009-2010 would result in non-compliance rates of 16.2% and 16.7%.

tax dollars assessed by targeted reviews compared with random reviews. Over the 2006-2007 to 2009-2010 period, our risk assessment process enabled our targeted reviews to be more than three times as effective as a random review. In the latest fiscal year, they were 3.6 times more effective in identifying non-compliance than were reviews selected randomly.

For large businesses, we detect and address non-compliance through a combination of corporate audits and risk assessment, which includes research and monitoring. We have increased our use of research relating to risk-based targeting of large business in response to the evolution of large businesses as a result of globalization and electronic commerce that have made certain complex business structures more prone to risks of non-compliance. Our approach in the past was to audit 100 percent of the largest businesses over a two year period. Though we still audit nearly 100 percent of large businesses over a two to three year period, we have moved to an approach that strikes a better balance between compliance burden and non-compliance detection by employing risk information to focus our audit activities and resources on businesses that present greater risk to the revenue base. The process involves an annual risk assessment of large taxpayers that uses expertise from across CRA to assess the risk levels using information related to the nature of the taxpayer's business, their current and past behaviour including aggressive tax planning, transparency, as well as information available from our tax treaty partners that indicate potential risk of non-compliant behaviour.

For small businesses, including self-employed individuals, we rely more on risk assessment in selecting businesses for audit. Our Small and Medium-sized Enterprise (SME) audit program selects its audits based on a range of risk information that includes past risk history and business condition indicators that are associated with non-compliance risk. These risk indicators are validated and refined by our Core Audit Program (CAP), which estimates the non-compliance rate for SME population segments by randomly selecting enterprises for audit, and over time, provides indications of compliance trends.

In 2008-2009, our Core Audit Program selected businesses that are registered to collect GST/HST as the SME segment for examination, and the results are being reported in this year's Report. By examining businesses that were subjected to its random sample audit, the CAP estimated the percentage of all businesses in this segment that are likely non-compliant to a significant degree, defined as businesses underreporting $5,000 or more in federal taxes. The CAP also examined this SME segment in 2005-2006. Due to differences in sampling design, however, the results for these two years are not comparable.[2]

Non-compliance of businesses registered to collect GST/HST	**2005-2006**	**2008-2009**
Percentage of businesses with significant non-compliance (%)	11.0	5.5
Average federal tax adjustment required per non-compliant business ($)	2,787	1,390

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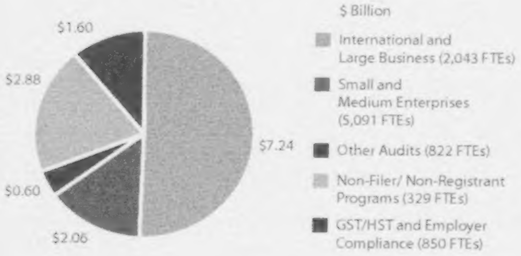
[2] Our Core Audit Program examined businesses registered to collect GST/HST in 2005-2006 and 2008-2009. However, the 2008-2009 exercise includes certain large businesses in the SME sample that affect both the estimates of frequency and dollar amount of non-compliance. Consequently, the results obtained form the exercised for 2005-2006 and 2008-2009 are not comparable.

Figure 5 Total Dollar Value of Identified Non-Compliance



Data quality: Good

The results of our audit and review programs that deal with reporting non-compliance in various segments of the business population can be brought together to report on the total dollar value of non-compliance identified and addressed (Figure 5).

These programs identified $14.4 billion in non-compliance in 2009-2010, a 10% increase over 2008-2009, which had increased about 6% over the prior year, after a 4% decline from 2006-2007.

Dollar value of identified non-compliance by program ($million)	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**
International and Large Business	4.9	5.7	5.2	7.2
Small and Medium-sized Enterprises	2.5	2.1	2.2	2.1
Other Audits	0.6	0.5	0.5	0.6
Non-Filer/Non-Registrant Program	2.4	2.4	2.4	2.8
GST/HST and Employer Compliance	2.4	1.4	2.5	1.6
Total	**12.7**	**12.2**	**12.9**	**14.4**

We also monitor and analyze a number of macro indicators that gauge trends in taxpayer behaviour with respect to reporting compliance (page 38). Our first indicator compares the trend of personal income reported to the CRA to the trend of personal income reported to Statistics Canada. It shows that, over the 1998 to 2008 period, personal income reported to the CRA increased by about 62%, whereas Statistics Canada's estimate used for its national accounts indicates a 64% increase. Given that this indicator tracks, over a ten-year span, reporting of personal income compared to an independent estimate, it is an indication that Canadians are generally reporting changes in personal income to the CRA.

Our second macro indicator compares corporate income tax reported to the CRA with corporate profits reported to Statistics Canada. The indicators tracked one another favourably over the 2000 to 2007 period. The Government of Canada's decision to reduce corporate tax rates and to grant other favourable treatments to corporations beginning in 2008, however, has led to a downward shift in corporate income taxes compared to profits. While our indicator is not designed to adjust for such rate reductions, the result is fully consistent with the change in corporate tax treatment that we experienced.

Our Macro Indicators

Figure 6

The trend in personal income reported to the CRA compared to personal income estimated by Statistics Canada.

Figures for the years 2005, 2006, and 2007 have been restated as a result of improved data.

Data quality: Reasonable

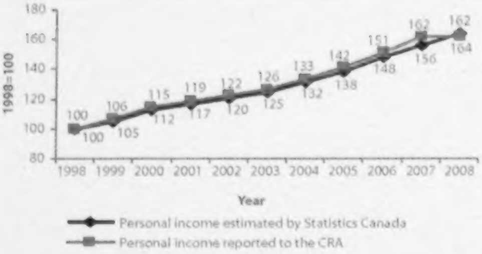


Figure 7

The trend in corporate income taxes that we have assessed compared to corporate profits before tax reported to Statistics Canada

Figures for the years 2001 and 2002 have been restated as a result of improved data.

Data quality: Reasonable

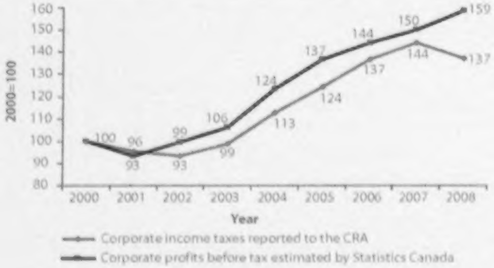


Figure 8

The trend in net income of unincorporated businesses reported to us compared to Statistics Canada's estimate for its National Accounts

Figures for the years 2005, 2006, and 2007 have been restated as a result of improved data.

Data quality: Reasonable

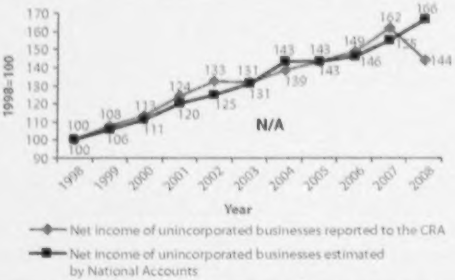
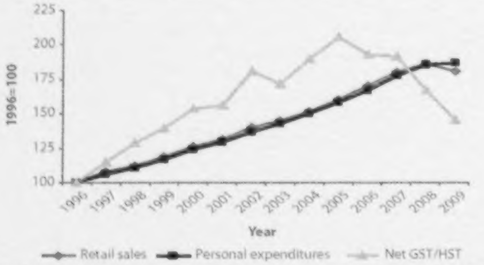


Figure 9

The trend in CRA's net GST/HST revenue compared with retail sales and personal expenditure estimated by Statistics Canada

Data quality: Reasonable



The indicator (Figure 8) comparing the income of unincorporated businesses with Statistics Canada's estimates has generally demonstrated consistent movement over the last ten years. This is income earned by individuals through sole proprietorships, partnerships or family trusts. Since the 2008 data indicates a sharp movement away from this historical pattern, however, we must further examine the underlying factors that affect our indicator and Statistics Canada's estimates.

Our macro indicators also compare the movement of GST/HST revenue with two indicators of the tax base for these taxes: retail sales and personal expenditure, both estimated by Statistics Canada. The trend of GST/HST revenue (Figure 9) tracked the indicators of the tax base favourably until 2005. Two successive reductions in these tax rates since 2006 have led to reductions in GST/HST revenue.

Conclusion

Our strategic outcome measures provide estimates of filing, registration, remittance, and reporting compliance to gauge the levels of voluntary compliance with Canada's tax laws. Our review of these estimates for 2009-2010 indicates that voluntary compliance remained generally high, although the dollar value of identified non-compliance is financially significant. Our assessment of our results indicators is that they are consistent with a high level of taxpayer compliance.

It is our assessment that we met our Tax Services strategic outcome in 2009-2010. We draw our overall conclusion largely from the significant proportion of Canada's revenue base originating from personal income that is subject to third-party reporting, and that a major proportion of the remainder originates from large corporations that are subject to a high rate of audit coverage. In addition, much of our assurance that we are achieving our strategic outcome is based on our robust system of checks and balances, which includes both preventive and detection activities. These activities incorporate a mix of compliance tools to protect Canada's revenue base from non-compliance.

STRATEGIC RESULTS

ACHIEVING OUR BENEFIT PROGRAMS STRATEGIC OUTCOME

Income security is essential to the economic and social well-being of Canadians. As administrators of benefit and credit programs for federal, provincial, and territorial clients, we must ensure that we correctly determine eligibility for these programs and that payments are made on time. Our activities during 2009-2010 were undertaken to provide reliable support to Canadians during this difficult economic period and to bolster our ability to provide effective programs for years to come.

Strategic Outcome	Our Assessment
Eligible families and individuals receive timely and correct benefit payments.	**Met**

Our goal

In 2009-2010, our goal was to enable application and registration and ensure accurate payments and reliable delivery on behalf of benefit and credit programs, as well as other services that we administer. Also, we encouraged business growth and partnership, increasing our contribution to efficient government.

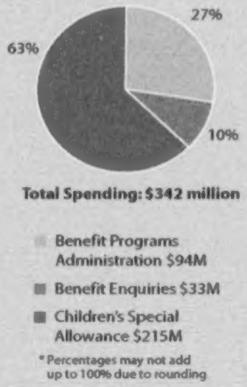
Our outcome

In 2009-2010, we met our targets in most cases. Our results show that we continued to provide reliable and accurate benefit services and programs while successfully introducing new initiatives and updating ongoing programs.

Our challenge

Our challenge is ensuring that all benefit recipients have and use the tools and information they need so they can receive their proper entitlements.

Spending Profile



(in thousands of $)

Total Authorities 2009-2010	$342,634
Actual Spending 2009-2010	$342,440
Variance	$194

ELIGIBLE FAMILIES AND INDIVIDUALS RECEIVE TIMELY AND CORRECT BENEFIT PAYMENTS

"Our programs have a real impact on the quality of life we all enjoy as Canadians."

Linda Lizotte-MacPherson
Commissioner and
Chief Executive Officer

The CRA has a vital role to play in supporting families and individuals across Canada. We help millions of Canadians by administering a range of ongoing and one-time programs on behalf of federal, provincial, and territorial governments. Our legislation and the adaptability of our systems enable us to use our federal infrastructure to accurately calculate and efficiently deliver benefits and credits. Legislation also enables us to provide information, in specific instances, to support the programs that government clients themselves administer. By ensuring that benefit recipients have access to timely and accurate information, we help them receive their proper entitlements. By working as a single delivery service on behalf of several levels of government, we reduce duplication and the overall cost of administering benefit programs.

We are very aware of the importance that Canadians place on fairness and transparency in all interactions with the federal government. We respond to Canadians' expectations by taking steps to ensure that only eligible individuals receive benefits and that their entitlements are correct. This protects benefit and credit recipients from undue hardship that could be caused by underpayments or overpayments.

Our focus

When individuals provide timely and accurate information, and that information is processed by reliable systems, individuals receive timely and correct benefit payments. During 2009-2010, we focused on initiatives that provide benefit recipients with timely and accurate information, services, and easy access to benefit and credit programs. We did this to encourage individuals to apply or register for the programs they are eligible for. We followed up with consistent review and validation of information to ensure that we issue correct payments. By contacting recipients to confirm information, we encourage individuals to meet their obligations.

In 2009-2010, we issued more than 88.5 million payments on time to over 11.4 million individuals and families, totalling more than $17.6 billion, on behalf of federal, provincial, and territorial governments.

Reliable benefit and credit delivery depends on a number of systems. Our individual identification system is a core data source used across the CRA. Our individual credit determination system determines entitlement to benefit and credit payments and also provides information, where authorized by law, that supports other governments in delivering their own programs. To ensure that we deliver reliable benefit and credit programs now and for years to come, we have further invested in our system infrastructure.

Strengthening service

Service is a cornerstone of our delivery of benefits and credits to Canadians. We make clear and timely information available to make it easier for individuals to apply for their benefits and comply with legislation. We also provide several ways of applying and registering so that people find it easier to access benefit and credit programs. Benefits-related information products, tools, and services were enhanced during 2009-2010 to help Canadians better understand and access the programs available and to meet their obligations as recipients so that they could receive the payments they are entitled to on a timely basis.

The telephone has always been an important service channel for benefit recipients. Many people rely on the telephone as their main contact route for reasons such as availability and prompt access to information and services. Information that is exchanged over the telephone can be critical to timely account updates and accurate benefit and credit calculations. The number of Canada Child Tax Benefit (CCTB) and GST/HST credit callers able to reach us by telephone exceeded 90% for the second consecutive year. The increased level of service for benefit recipients was possible due to the additional resources directed into our telephone services since 2008.

We recognize that enrolment levels for some segments of the population could be improved. Groups such as persons with disabilities, First Nations, and new residents benefit from information products that are more specialized. In 2008, we developed the Communication Strategy for Benefit Programs. One of the gaps identified was in messages targeted to First Nations, particularly those in Nunavut. In 2009-2010, new communication tools were created to encourage eligible First Nations individuals and families to access these programs. We will use the results of our next program take-up study to help us measure the results of these new tools.

Priority: Eligible Canadians access the benefits and credits they are entitled to

Achievement: Our measurement of the time between the birth of a child and when the parent receives the first benefit payment shows that both our automated and our online application services get benefits issued faster than through paper applications.

During 2009-2010, we launched the Automated Benefits Application (ABA) service. ABA allows parents to apply for child and family benefits when their child is born by ticking a box on their provincial or territorial birth registration forms. The provincial or territorial body that registers the birth sends the applicant's registration information to the CRA over a secure communication network so that we can determine eligibility for benefits. Our ABA initiative was an important step to improved service by simplifying the process of applying for benefits. It was also an important addition to our compliance efforts because ABA uses data that comes directly from the provinces and territories, ensuring timely, valid, and accurate application information.

Our Automated Benefits Application reduces the paperwork for new parents applying for the Canada Child Tax Benefit, Universal Child Care Benefit, and related provincial and territorial payments.

By simplifying the benefit application process through ABA, we have reinforced our commitment to ensure that eligible Canadians can readily access the benefits and credits they are entitled to. We are measuring the response time for this new service to make sure that we are meeting our objectives. We are comparing ABA processing and payment time frames to both online and paper applications. The data to date shows that parents are receiving their first benefit payment faster with ABA. As we complete the first full year of measurement, we expect to gather consistent evidence indicating time savings as a result of this service.

Benefits validation

Our validation work helps benefit recipients understand their legal rights and obligations and creates a credible enforcement presence to deter non-compliance. We are continuing to ensure the integrity of benefit and credit programs through strategic initiatives that focus on validation.

In 2009-2010, we contacted 212,017 recipients to confirm that their account information was accurate. The responses that we received enabled us to identify recipients who were overpaid as well as those who were underpaid. Our results indicate that our targeted reviews are successfully revealing areas of non-compliance.

Reinforcing trust

When Canadians trust the integrity of the CRA, it can positively influence their willingness to comply with legislation. This applies to both tax and benefit programs. When we measure and report each year on the accuracy and the timeliness of our payments, we are offering individuals and our government partners an indication of the reliability of our services. Our results during 2009-2010 show that we successfully met the targets that we set in most cases. A track record of consistency and dependability supports good relations and encourages benefit recipient co-operation.

A 2006 internal audit noted that our benefits quality review process varied across the country. We recognize that measurement methods must be the same nation-wide for results to be reliable. During 2008-2009, we implemented our Quality Review Strategy so we could standardize and improve our quality review process and ensure a consistent approach. By doing so, we improved our ability to measure processing accuracy and to detect and address administrative issues faster. Over the last year, we assessed the results of implementing the strategy and have scheduled another assessment in 2010-2011. The initial assessment identified best practices, developed recommendations for action, and pointed out issues to be analyzed and resolved by the CRA.

Maintaining effective relationships

When we administer programs and provide benefits and credits on behalf of client governments, we reduce the need for separate calculation and delivery systems at federal, provincial, and territorial levels. Building and maintaining effective relationships between the CRA and various client governments makes it easier for them to work with us and encourages them to use our delivery systems, as authorized by legislation, whenever possible. By working co-operatively, the overall cost of government is reduced.

During 2009-2010, we worked with Human Resources and Skills Development Canada on assessing whether the administration of the Universal Child Care Benefit is effective and efficient. Results of this review are expected during 2010-2011.

Our strategic outcome measures

Many of the indicators that we use to measure our progress toward our strategic outcomes focus on eligibility, timeliness, and accuracy. The indicators include:

- how many eligible individuals apply for benefit programs;
- whether payments are issued on time; and
- how many recipients provide us with up-to-date and accurate information, enabling us to accurately calculate entitlements.

In addition, we gauge our progress as the provider of choice for benefit programs and services by volume of use. We consider this an indicator of the attractiveness of our program and service delivery infrastructure to federal, provincial, and territorial clients.

During 2009-2010, more than 3.1 million Canadian families with children under 18 received the Canada Child Tax Benefit.

Eligibility, timeliness, and accuracy

Benefit payments make up a substantial part of many Canadians' income. These individuals and families rely on receiving payments on time to meet their household expenses. During 2009-2010, 99.7% of benefit payments were issued on time, demonstrating that recipients can rely on the delivery of their benefit and credit payments.

The correct calculation of benefits and credits relies on timely information from the recipient. It is the responsibility of each recipient to provide us with complete and accurate information to maintain their eligibility and receive the proper amount of benefits. The results of the most recent benefits measurement study indicated that 94.4% of CCTB recipients provided us with correct information and were therefore receiving their proper entitlements. This mostly meets our target of 95% and represents an improvement over the previous year's result of 92.9%.

Our administration and delivery of timely and accurate benefits and credits affects the lives of many Canadians each year. In 2009-2010, we processed benefit and credit applications and marital status change forms on time 98.8% of the time.

We consider our calculation of benefit payments to be correct when the net value of CCTB overpayments is low. Overpayments or underpayments are often due to changes that took place but are not indicated in a timely manner. Net CCTB overpayments increased by $11 million during 2009-2010, but represented only 0.1% of the $9.9 billion in CCTB payments issued during the year, well under our established target of less than 0.4%.

Our results in these areas tell us that, overall, we have been successful in meeting or surpassing our eligibility, timeliness, and accuracy targets in 2009-2010. These values tell recipients that they can depend on our providing accurate benefit and credit programs and services. Furthermore, our low level of overpayment and high level of compliance means that Canadians can be confident that we are administering programs and services with the high level of integrity that they expect from all areas of government.

Provider of choice for benefit programs and services

As we continue to add new programs and services, we continue to lower the overall cost to governments by reducing duplication. Our administration of the CCTB, which combines federal, provincial, and territorial benefits into a single payment, is just one area where our positive impact can be seen. One CCTB cheque, for example, can replace several separate payments if it includes the basic Child Tax Benefit, the National Child Benefit Supplement, the Child Disability Benefit, and one or more provincial or territorial elements.

The number of programs and services administered by the CRA increased from 93 in 2008-2009 to 96 in 2009-2010 with the introduction of three new income verification programs related to Prince Edward Island student loans.

In 2009-2010, preparations were made to deliver three new benefit programs as a result of Ontario and British Columbia's decision to harmonize their sales tax. These are:

- the Ontario Sales Tax Transition Benefit;
- the Ontario Sales Tax Credit; and
- the BC Harmonized Sales Tax Credit.

A great deal of the work for these three programs was completed during this period; however, the first payments were not issued until June and July 2010. Information about the delivery of these programs will be included in our next annual report.

We have enhanced our e-services and are providing more comprehensive and better integrated benefits and services that are simpler for citizens to use. This makes benefits and credits more accessible to eligible individuals and reduces processing delays.

Conclusion

An assessment of our results shows that, overall, we met our measurement targets. We consider this an indicator that our administration of benefit programs provided timely and correct payments to eligible families and individuals. Personnel who answer benefit enquiries lines ensured that callers received timely and accurate responses to their questions.

The fact that 99.7% of payments were issued on time shows that benefit recipients can rely on the CRA's benefit and credit delivery system. In addition, our government clients benefited from reliable services, reduced administration costs, and CRA validation of account information.

These successes support the Government of Canada outcome of income security and employment for Canadians.

Our Benefit Programs Strategic Outcome Measures

Our Measure	Year	Performance Rating	Data Quality
Eligible families and individuals receive timely and correct benefit payments.	**2009-2010**	**Met**	**Good**
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Eligibility is established							
Percentage of potential entitled recipients who receive the CCTB	95%	N/A	N/A	N/A	94.9%	N/A[1]	N/A
Payments are timely							
Percentage of benefit recipients who receive payments on time	99%	99.9%	99.9%	99.9%	99.9%	99.7%	✓
Benefit payments are correct							
Percentage of CCTB recipients who provide complete and accurate information and receive the proper entitlement	95%	95.1%	95.5%	95.5%	92.9%	94.4%	☑
CCTB overpayment debt as a percentage of payments issued	<0.4%	0.3%	0.2%	0.3%	0.4%	0.1%	✓
Provinces, territories, and federal departments rely on the CRA as a key service provider							
Number of programs and services administered	Upward trend	67	72	77	93	96	✓

[1] These percentages are only available for census years.

✓ Met	☑ Mostly Met	✗ Not Met
n/a Not Available	N/A Not Applicable	

OUR DAY-TO-DAY ACTIVITIES

The following sections of this report are organized according to six areas of the CRA that are designed and managed to meet a specific public need, and are generally treated as a budgetary unit. Each section is set up to reflect how we allocate and manage our resources to achieve intended results.

- **Taxpayer and Business Assistance** helps taxpayers meet their obligations under Canada's self-assessment system.
- **Assessment of Returns and Payment Processing** processes and validates taxpayer returns; registers, establishes, and maintains taxpayer accounts; and receives payments.
- **Accounts Receivable and Returns Compliance** detects and addresses non-compliance with taxpayer filing and remittance requirements, and manages tax debt.
- **Reporting Compliance** verifies that taxpayers completely and accurately disclose all required information to establish their tax liabilities, and protects the revenue base through audit and enforcement activities.
- **Appeals** provides a timely and impartial dispute resolution process for taxpayers who disagree with the CRA's decisions.
- **Benefit Programs** provides Canadians with income-based benefits and other services that contribute directly to their economic and social well-being.

For each section, we present a discussion of the achievements against the priorities identified in our *Corporate Business Plan 2009-2010 to 2011-2012*, and performance in relation to the expected results. We specify the key results achieved during the year, provide a snapshot of the spending profile, and list notable achievements. At the end of each discussion, we present the results associated with each of our key performance indicators in a report card format to demonstrate how we arrived at our conclusion for each expected result.

Key Volumetrics:

- nearly 27 million individual and trust tax returns and over 1.9 million corporate tax returns processed;
- over 82 million visits to the CRA Web site;
- 16,445 volunteers completed over 500,000 simple tax returns for low income, eligible taxpayers;
- more than 12,500 voluntary disclosures processed, totalling over $1.8 billion in unreported income;
- over $14.2 billion in non-compliance identified; and
- more than $17.6 billion of federal, provincial, and territorial benefit and credit payments issued.

OUR DAY-TO-DAY ACTIVITIES

TAXPAYER AND BUSINESS ASSISTANCE

Our Taxpayer and Business Assistance area helps taxpayers, businesses, and registrants meet their obligations under Canada's self-assessment system by providing access to timely and accurate information. It also provides rulings and interpretations to clarify and interpret tax laws, as well as for CPP/EI purposes, and administers federal tax legislation governing registered plans and charities.

Our Expected Results	Our Assessments
1. Taxpayers, businesses, and registrants have access to timely and accurate information.	Met
2. Non-compliance is detected and addressed.	Met

Our goal

In 2009-2010, our goal was to build on our position as an innovative service leader and increase compliance in all areas of tax regulation.

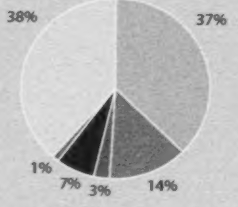
Our outcome

In 2009-2010, we improved the quality of our services to taxpayers by making them more timely, accessible, and easier to use. We maintained our high caller accessibility levels on all of our enquiries lines. Compliance efforts within the tobacco industry were enhanced by developing and testing a prototype tobacco excise stamp. We also implemented initiatives for retroactive refunds and collecting increased charges under the *Softwood Lumber Agreement, 2006*.

Our challenge

Our challenge is to continue the transformation of all service channels, allowing us to meet client needs in order to encourage voluntary compliance. We must continue to improve our diverse service offerings to address legislative change and increase our responsiveness to the evolving information needs of taxpayers. One means of ensuring that we continue these improvements is to capitalize on emerging technologies.

Spending Profile



Total Spending: $531 million

- ▨ Enquiries and Information Services $198M
- ▨ Rulings and Interpretations $73M
- ▨ Registered Plans $14M
- ■ Charities $36M
- ▨ Legislative Policy $5M
- Statutory disbursements related to Canada/US Softwood Lumber Agreement $205M

* Percentages may not add up to 100% due to rounding

(in thousands of $)

Total Authorities 2009-2010

$542,727

Actual Spending 2009-2010

$531,371

(12% of CRA's expenditures)

Variance

$11,356

Full-Time Equivalents 2009-2010

3,817

OUR 2009-2010 PRIORITIES

In support of the overarching objectives for the period, we committed to undertake a number of initiatives that focused on strengthening service and tax integrity.

Strengthening service

Priority: Enhance the suite of self-serve options

Achievement: In 2009-2010, we made significant recommendations for improvements based on analysis of user traffic to the Web site.

To strengthen service delivery and make compliance easier, we focused on increasing accessibility to our programs and services and their efficiency.

Our Smartlinks service aligns telephone and Internet service by allowing users of our Web site tax information to link to our telephone service. We added Smartlinks to transactional pages of My Business Account to encourage and support taxpayers who use Smartlinks. A survey conducted of users of Smartlinks by our telephone agents is another tool that has allowed us to make improvements to the Web site to better meet their needs.

Our Community Volunteer Income Tax Program showed an increase in volunteers and the number of returns they prepared for taxpayers who are eligible to use this service. In an effort to maximize the use of technology, we launched an online training program through the CRA Web site for the community volunteers.

Community Volunteer Income Tax Program	**2008-2009**	**2009-2010**	**Change**
Total volunteers	15,429	16,445	6.6%
Number of returns prepared by volunteers	482,487	500,185	3.7%

Priority: Strengthen outreach

Achievement: In 2009-2010, we conducted extensive outreach activities in Ontario and British Columbia relating to the introduction of the harmonized sales tax in those provinces.

We conducted numerous outreach activities for both individuals and businesses and noted that the number of participants increased substantially from the previous year.

Based on results from the national quality assurance program, we enhanced our online portal and Taxpayer Services Agent Desktop application to ensure that all relevant material (such as information on the harmonized sales tax for residents of Ontario and British Columbia and the Home Renovation Tax Credit) was posted to the Web site and to agents' online reference materials. Enhancements to the Taxpayer Services intranet site and the internal search engine enabled agents to provide better service.

Based on the Profile of Enquiries results and taxpayer feedback obtained by our call centre agents, we have identified highly complex enquiry topics better suited to the subject matter experts located in Centres of Expertise. We redirected such calls to these agents to improve the quality (as demonstrated by the accuracy survey results for these topics) and efficiency of our service.

We provided information sessions on the transition to the harmonized sales tax in Ontario and British Columbia. In support of this transition, our business enquiries agents supported our promotion call-out campaign to provide rural small business owners with information about the pending implementation of the harmonized sales tax.

Tax integrity

As a major step to prevent contraband tobacco products from entering the Canadian market, and to support the Government of Canada's health objectives, a prototype tobacco excise stamp was developed and is being tested by the tobacco industry. On March 29, 2010, Bill C-9 was tabled in Parliament; it includes proposed legislative amendments to the *Excise Act, 2001*, to support the implementation of the stamp, expected in 2010-2011. The Bill received royal assent in July 2010.

In support of the implementation of the *Softwood Lumber Products Export Charge Act, 2006*, we followed through on our commitment to work with exporters to promote continuing compliance and audited the books and records of registered exporters of softwood lumber products.

The CRA has also implemented initiatives for both retroactive refunds and collecting increased charges. These initiatives result from activities under the *Softwood Lumber Agreement, 2006* and the *Softwood Lumber Products Export Charge Act, 2006* known as the Surge and Third Country Adjustment mechanisms.

> **"Enhancements to tobacco compliance programs and enforcement actions will help reduce contraband tobacco in Canada."**
>
> Keith Ashfield
> Minister of
> National Revenue

EXPECTED RESULTS

Our expected results are the criteria we use to measure our activities and report to Canadians on their effectiveness. We carry out our Taxpayer and Business Assistance activities to achieve two expected results.

1.	Taxpayers, businesses, and registrants have access to timely and accurate information.	**Met**

The telephone is still a popular way for taxpayers to seek information from the CRA. How quickly we respond to those enquiries is a key measure of our performance. In 2009-2010, we met our service standards for answering general and business tax enquiries in a timely manner. We also exceeded our service standard for answering charities enquiries.

For the second year in a row, for general and business enquiries, we were successful in realigning our resources and met our increased target for the percentage of callers able to reach us by telephone. We had to make constant adjustments during the year to balance taxpayer expectations with available resources to handle the fluctuation in demand and provide expected program performance. We also exceeded the 90% caller accessibility target for charities enquiries.

To ensure that the information we provide through our enquiries services is accurate, we make sure that agents have access to up-to-date training and online reference materials. We also use quality assurance techniques that provide ongoing, prompt feedback to our individual and business enquiries agents. Results show that our agents are able to provide technically accurate responses to taxpayers' questions.

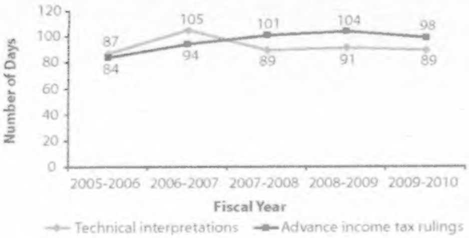
We made significant improvements in responding to simple and regular applications for charitable status within the established time frames. Simple applications have exclusively charitable objects and activities. Regular applications are not as straightforward and require further research to determine whether they are charitable. In 2009-2010, the intake of applications remained relatively consistent, however procedural changes were implemented to this workload that improved our response time.

In 2009-2010, in support of Canada's national security agenda and international obligations to counter terrorism, we provided a checklist for charities to help them identify vulnerabilities to terrorist abuse, and funded a project within the charities sector to raise awareness of the need for safeguards against terrorism.

Priority: Modernize and strengthen our charities program

Achievement: In 2009-2010, 16 webinars and 70 outreach sessions were delivered to registered charities. A revised Information Return can now be downloaded and saved from the Internet.

Figure 10 Timely Response to Requests for Advance Income Tax Rulings and Technical Interpretations



Data quality: Good

This year, we noted some improvement in providing technical income tax interpretations and advance income tax rulings. Both results in 2009-2010 improved from the previous year (see Figure 10). We still need to improve the turnaround time for advance income tax rulings.

The increase in turnaround time for issuing advance income tax rulings is largely due to the greater complexity of incoming files, combined with less experienced, newly-hired staff for this specialized workload. To meet the critical deadlines for these files, we have developed a comprehensive approach and are following through with an in-depth study in an effort to improve performance.

We demonstrated to Canadians our commitment to accessible service by meeting the accessibility and service level targets for all of our enquiries lines. Meeting the targets for the majority of indicators confirms our success in the timeliness of these activities. Our quality assurance monitoring programs assure us that accuracy is a key element in providing quality services.

2.	Non-compliance is detected and addressed.	**Met**

In 2009-2010, we completed slightly fewer tobacco regulatory reviews and audits than targeted because there were fewer tobacco premises to visit. With fewer licensees, the reduced number of audit and regulatory reviews has no effect on the program. The targeted coverage rates of regulatory reviews and audits on the population of tobacco manufacturers were met.

Audits	2008-2009	2009-2010	Change
Tobacco	624	453	-27.4%
Registered plans	444	470	5.9%
Registered charities	853	719	-15.7%

The registration process for registered plans has been streamlined using a risk-based approach to ensure that resources were dedicated to those plans that presented the greatest risk. In 2009-2010, the desk and field audit programs have both undergone a modernization review to ensure they are operating in the most efficient and effective manner. Nevertheless, we managed to increase the number of registered plans audits by 5.9%.

The CRA is responsible for monitoring the operations of registered charities within Canada to make sure they comply with the requirements of the *Income Tax Act*. Audits are an important element of this process. During 2009-2010, the number of registered charities audits decreased by 15.7% compared with the previous year. This year, we encountered some staffing delays but we expect improvement in 2010-2011 and available resources to meet the performance results achieved in 2008-2009.

Our commitment to detect and address non-compliance was achieved by meeting our targets for registered plan audits, excise regulatory reviews, and excise audits.

A Snapshot of Taxpayer and Business Assistance

Key Volumetrics:

Enquiries and Information Services – We handled more than 17.7 million public enquiries and over 35.6 million tax-related visits to the CRA Web site.

Excise and GST/HST Rulings and Interpretations – We processed over 3,700 written enquiries for rulings and interpretations and handled over 101,000 GST/HST-related telephone enquiries.

CPP/EI Rulings – We processed over 73,000 requests for rulings.

Registered Plans – We administered approximately 33,000 plans (e.g., registered pension plans, deferred profit sharing plans, supplementary unemployment benefit plans, registered investments), reviewed related returns, and conducted 470 audits.

Charities – We processed over 80,000 annual information returns for registered charities, and conducted 719 audits.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Taxpayers, businesses, and registrants have access to timely and accurate information	**2009-2010**	**Met**	**Good**
	2008-2009	Mostly Met	Good

Our Indicators	**Current Target**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**	**Rating**
General calls answered within two minutes of entering the agent queue	80%	80%	82%	83%	82%	81%	✓
Business calls answered within two minutes of entering the agent queue	80%	85%	81%	82%	87%	86%	✓
Charities calls answered within two minutes of entering the queue	80%	86%	88%	86%	87%	90%	✓
Respond to written requests for GST/HST rulings and interpretations within 45 working days of receipt of request	80%	88%	87%[1]	89%	93%	94%	✓
Average number of days to issue an income tax technical interpretation to taxpayers	90 days (avg)	87 days	105 days	89 days	91 days	89 days	✓
Average number of days to issue an advance income tax ruling to taxpayers	60 days (avg)	84 days	94 days	101 days	104 days	98 days	✗
Percentage of CPP/EI rulings issued within targeted time frames	85%	91%	84%	93%	91%	88%	✓
Percentage of responses to simple applications for charitable registration within targeted time frames (2 months)	80%	N/A	N/A	42%	58%	82%	✓
Percentage of responses to regular applications for charitable registration within targeted time frames (6 months)	80%	N/A	N/A	53%	22%	80%	✓
Percentage of registered pension plans applications reviewed within established time frames	85%	96%	97%	94%	92%	86%	✓
Percentage of accurately updated internal reference materials for taxpayer services and charities agents	100%	N/A	N/A	N/A	100%	100%	✓
Percentage of general callers who reach our telephone service[2]	90%	83%	83%	84%	92%	91%	✓
Percentage of business callers who reach our telephone service[2]	90%	91%	86%	79%	94%	93%	✓
Charities callers who reach our telephone service	90%	93%	96%	93%	92%[3]	95%	✓

[1] This became a service standard in 2006-2007. Prior-year results reflect performance against an internal target.

[2] The caller accessibility targets for general and business callers were raised from 80% in 2008-2009.

[3] This result has been restated.

Expected Result	Year	Performance Rating	Data Quality
Non-compliance is detected and addressed	**2009-2010**	**Met**	**Good**
	2008-2009	Met	Good

Our Indicators	**Current Target**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**	**Rating**
Percentage of excise regulatory reviews completed compared to planned	90%	N/A	N/A	98%	91%	92%	✓
Percentage of excise audits completed compared to planned	90%	N/A	N/A	100%	96%	109%	✓
Percentage of registered plan audits completed compared to planned	100%	N/A	N/A	N/A	96%	101%	✓
Percentage of registered charities audits completed compared to planned	100%	N/A	N/A	N/A	100%	89%	✗

✓ Met	☑ Mostly Met	✗ Not Met
n/a Not Available	N/A Not Applicable	

OUR DAY-TO-DAY ACTIVITIES

ASSESSMENT OF RETURNS AND PAYMENT PROCESSING

We undertake a wide range of activities to assess and process individual and business tax and information returns and payments. We use risk assessment, third-party data matching, and information validation to detect and address non-compliance. Our programs contribute to individuals and businesses meeting their filing, reporting, and payment obligations.

Our Expected Result	Our Assessment
Assessment and payment processing are timely and accurate.	Met

Our goal

To deliver accurate, efficient, and effective processing of individual and business tax and information returns and payments in order to protect Canada's revenue base and make it easier for Canadians to meet their tax obligations.

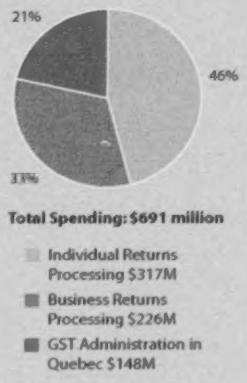
Our outcome

In 2009-2010, we expanded our electronic service options to make it easier for taxpayers to interact with us. We processed individual and business tax and information returns and payments accurately and on time. We carried out pre-assessment and post-assessment activities to detect and address instances of non-compliance.

Our challenge

This program activity plays a key role as Canadians make use of measures introduced through budget announcements and economic updates at the federal, provincial, and territorial levels of government. Under tight timeframes, our challenge is to ensure that these measures are in place and that we are positioned to maintain effective delivery of our programs while continuing to focus on long-term sustainability with respect to modernization, integration, financial limitations and public expectations.

Spending Profile



* Percentages may not add up to 100% due to rounding

(in thousands of $)

Total Authorities 2009-2010

$728,359

Actual Spending 2009-2010

$690,835

(15.7% of CRA's expenditures)

Variance

$37,524

Full Time Equivalents 2009-2010

6,867

OUR 2009-2010 PRIORITIES

In support of the overarching objectives for the period, we committed to undertake a number of initiatives that focused on strengthening service and tax integrity.

Priority: Enhance our electronic services

Achievement:

In 2009-2010 we:

- launched My Payment, a new online payment option for individuals and businesses.
- launched a new Internet filing option for GST/HST returns.

Strengthening service

We focused on increasing the accessibility of our services and providing taxpayers with convenient self-service options to meet their needs. Providing taxpayers with easier ways to manage their tax affairs encourages voluntary compliance and helps them to meet their tax obligations.

In the fall of 2009, the CRA introduced a new online feature called My Payment. This service lets individuals and businesses make payments electronically through a secure link with participating Canadian financial institutions that offer the Interac® Online[3] payment service. My Payment should simplify accounting because the transfer is immediate. There is no need for taxpayers to pay early to make sure their payment arrives on time or to monitor their account because of an outstanding cheque.

Our Quick Access online option, a complementary service to My Account, continues to be a popular choice for taxpayers who only need limited information on their taxes and benefits. In 2009-2010, there were over 1.1 million accesses, an increase of 12% over the previous year.

My Account	2008-2009	2009-2010	Change
Successful log-ins	3,846,419	4,597,032	19.5%
New enrolments	320,992	338,205	5.4%

We added more options to My Account, our secure portal that gives individuals an online view of their tax and benefit information. Taxpayers can now view certain T4 information slips as well as their Tax Free Savings Account (TFSA) contribution room. We also launched targeted marketing efforts to generate more interest in the services available through My Account. Successful log-ins to My Account for individuals were up significantly from the previous year, as were new enrolments for this service.

My Business Account	2008-2009	2009-2010	Change
Successful log-ins	351,510	794,318	126%
New enrolments	N/A	182,408	N/A

In 2009-2010, we continued to enhance My Business Account by increasing the capacity for taxpayers requiring assistance to connect directly with enquiries agents from the My Business Account profile.

Represent a Client – Accesses by Representatives	2008-2009	2009-2010	Change
Individual accounts	1,062,658	2,215,637	108.5%
Business accounts	230,122	691,536	200.5%

Our Represent a Client service, which gives authorized representatives a secure, single point of access to multiple clients' information, continues to attract considerable interest in the representative community. In 2009-2010, the CRA made it possible for business owners and senior administrators to view transactions completed by representatives on individual accounts and for representatives to download client lists. As the results in the above table show, the number of accesses by representatives increased significantly this past year. We expect the upward trend will continue as more representatives become authorized for online access and begin taking advantage of its features.

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[3] ® Trade-mark of Interac Inc. Used under licence.

In a continuing effort to expand the population that is eligible to file electronically, we increased the threshold for e-filing a GST/HST credit return. This allowed registrants to Netfile their GST/HST return rather than having to send in a paper return for periods with a credit balance greater than $10,000 and less than $50,000.

We continued to expand the use of the Business Number as a common client identifier for businesses to securely and efficiently interact with various levels of government. In the fall of 2009, we replaced the Filer Identification Number with the Business Number. The former Filer Identification Number was used as the account number by financial institutions and trust administrators to file T5 information returns. This latest conversion may reduce the administrative burden on clients as there will be fewer accounts numbers for clients to maintain. It also contributes to the ongoing efforts in the broader public sector to simplify and streamline the way businesses deal with the federal government.

Priority: Maintain and enhance effective partnerships

Achievement: In 2009-2010, we added eight new Business Number partnership programs.

In 2009-2010, we also committed to continuing to remove specific barriers and exclusions to electronic filing for businesses. As of the fall of 2009, corporations involved in scientific research and experimental development (SR&ED) were able to file their tax return using the Corporation Internet Filing system.

Tax integrity

Tax integrity involves undertaking consistent and active steps to make non-compliance more difficult. Effective processes to detect and address non-compliance are essential to managing compliance risk and ensuring that individuals and businesses pay their required taxes. Therefore, we perform a further review of selected returns at a later date under our post-assessment programs. We devoted resources to areas where our assessments indicate that the risk and potential revenue consequences of non-compliance are higher.

Our review programs are designed to make administration of the tax system more equitable, recover more revenue, and impose less burden on compliant taxpayers. They also promote taxpayer education by identifying common areas of misunderstanding.

Over the years, we have improved our ability to conduct post-assessment activities for Individual returns. We also recognize the need to put in place equally effective measures to improve the risk assessment capabilities of our compliance programs as they relate to T2 corporation returns. With that in mind, we launched the Corporation Assessing Review Program. The goal of this new program is to enhance the CRA's overall compliance coverage and help to quickly detect non-compliant activity in corporation returns. It is important to note that we are currently in the development stages of this program and, therefore, did not produce measurable data for 2009-2010.

Priority: Enhance our ability to address non-compliance

Achievement: In 2009-2010, we

- developed the preliminary model of a Corporation returns tax review program.
- completed several targeted post-assessing review projects.

EXPECTED RESULT

Our expected result is the criteria we use to measure our activities and report to Canadians on their effectiveness. We carry out our Assessment of Returns and Payment Processing activities to achieve the following expected result.

Assessment and payment processing are timely and accurate. **Met**

As our performance report card on page 62 shows, we met our external service standards for processing T1 individual returns in both paper and electronic formats.

We also establish internal processing targets, and by mid-June, we had processed 99.7% of the individual returns that were filed on time. We also deposited 99.5% of payments within our target of 24 hours.

As projected, there is a continued decrease in the number of paper returns we process. This move toward electronic filing was further entrenched in the past year as the CRA announced in January 2010 that Internet filing will be mandatory for corporations whose annual gross revenues exceed $1 million.

Returns Processed	2008-2009	2009-2010	Change
Individual – paper	12,068,728	11,205,066	-7.2%
Individual – electronic	15,044,363	15,530,698	3.2%
Corporate – paper	1,453,422	1,377,083	-5.3%
Corporate – electronic	400,220	536,074	33.9%
GST/HST – paper	5,710,852	5,444,578	-4.7%
GST/HST – electronic	1,631,034	1,814,101	11.2%

Our primary tool for determining the accuracy of individual returns assessed is the T1 Quality Evaluation Program, which reviews initial assessments of individual tax and benefit returns. Our review for 2009-2010 shows that processing errors with an impact on a taxpayer's refund or balance due were less than 1%. From 2000 through 2009, the amounts per error were, on average, between $270 and $352.

We also ensure accuracy by using two-dimensional (2D) bar-code technology for computer-generated paper returns. A 2D bar code contains all of the taxfiler identification and financial data necessary to assess the return and ensure we accurately capture taxfiler data. At the end of 2009-2010, 39% of all individual paper-filed returns had been processed using this technology, as had over 86% of all corporate returns. With the availability of electronic options and 2D bar-coding, the percentage of traditional paper returns (no bar code) processed continued to decline.

As indicated in our outcome, an important part of our day-to-day work is our contribution to improving reporting compliance. During 2009-2010, our pre-assessment and post-assessment activities were successful in identifying and addressing specific areas of non-compliance. Our T1 Matching Program compares information on an individual's income tax and benefit return with information provided by third-party sources, such as employers or financial institutions. Our results reflect the vital role played by third-party information reporting in promoting compliance among individual taxpayers. Over $986.2 million in additional taxes were assessed through our three T1 review programs.

Highlights

In 2009-2010,

- processed over 26.7 million individual returns
- refunded almost $26.6 billion to over 17 million individual taxpayers
- processed more than 1.9 million corporate returns
- 34.4 million payments processed totalling more than $357.9 billion
- processed over 7 million GST/HST returns (excluding Revenu Québec).

Another integral part of our overall review program is our Beneficial Taxpayer Adjustments initiative. By comparing an individual's return to third-party information, we identify areas where the taxpayer may have under-claimed credits relating to tax deducted at source or Canada Pension Plan contributions. We adjust these returns to allow amounts the taxpayer is entitled to and, if applicable, issue a refund. In 2009-2010, we identified and corrected 234,744 individual returns, resulting in an average beneficial adjustment of $385 per return.

Overall, our success in meeting the targets for all of our high-volume processing workloads demonstrates to Canadians our commitment to timeliness in our processing activities. In addition, we believe that the combination of our quality evaluation program and use of bar-coding technology to capture data underscores our commitment to accuracy. For these reasons, we are confident in stating that we met our key expected result for this program activity.

A Snapshot of Assessment of Returns and Payment Processing

Key Volumetrics:

Individual Returns Processing – We processed more than 26.7 million individual returns, over 11 million of which were paper; refunded almost $26.6 billion to more than 17 million individual taxpayers and processed over 229,000 trust returns. There were more than 338,000 additional individuals enrolled and over 4.5 million visits to My Account.

Business Returns Processing – We processed almost 1.6 million information returns. We also processed more than 1.9 million corporate returns and over 7 million GST/HST returns.

We handled more than 34.4 million payments, totalling just over $357.9 billion.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Assessment and payment processing are timely and accurate	**2009-2010**	**Met**	**Good**
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
External Service Standards[1]							
Processing T1 individual income tax returns (paper): in an average of 4-6 weeks [2]	100%	3.6 weeks	3.9 weeks	4.1 weeks	4.0 weeks	4.3 weeks	✓
Processing T1 individual income tax returns (electronic): within an average of 2 weeks[2]	100%	1.9 weeks	1.6 weeks	1.7 weeks	1.6 weeks	1.6 weeks	✓
Percentage of GST/HST returns processed within 30 days	95%	98.3%	98.5%	91.9%	97.3%	n/a[3]	N/A
Processing T2 corporation income tax returns within 60 days	90%	N/A	N/A	92.0%	90.8%	92.8%	✓
Processing Excise Tax, Excise Duty, and Air Travellers Security Charge return within 90 days	95%	N/A	98.1%	98.2%	99.0%	97.0%	✓
Internal Performance Standards							
Percentage of funds from non-electronic payments deposited within 24 hours of receipt	96%	99.4%	95.9%	93.9%	95.2%	96.6%	✓
T1 returns received on time processed by mid-June	98%	99.7%	99.7%	99.8%	99.9%	99.7%	✓
Electronic Processing Take-Up							
Percentage of individuals who file electronically	Upward trend	n/a	50.6%	53.5%	55.8%	57.9%	✓
Percentage of corporations who file electronically	Upward trend	n/a	14.0%	18.0%	21.5%	28.5%	✓
Percentage of T1 returns assessed accurately	98%	99.0%	98.9%	99.1%	98.9%	99.0%	✓
Taxpayer-requested adjustments are reassessed accurately	96%	n/a	97.4%	96.6%	97.0%	96.1%	✓

[1] See page 125 for breakdown of all indicators, targets, and overall results against external service standards.

[2] Represents the average number of weeks

[3] Substantiated results not available for 2009-2010. Revised data capture method began in June 2010.

✓ Met	☑ Mostly Met	✗ Not Met
n/a Not Available	N/A Not Applicable	

OUR DAY-TO-DAY ACTIVITIES

ACCOUNTS RECEIVABLE AND RETURNS COMPLIANCE

Our Accounts Receivable and Returns Compliance area manages the largest debt collection service in Canada. It collects receivables arising from taxes (income tax, GST/HST) and programs such as the Canada Pension Plan, Employment Insurance, and defaulted Canada student loans. In addition, this area promotes compliance with Canada's tax legislation covering employers, payroll, and GST/HST.

Our Expected Results	Our Assessments
1. Tax debt and government programs' (non-tax) debt are resolved on a timely basis and are within targeted levels.	**Mostly Met**
2. Non-compliance is detected and addressed.	**Met**

Our goal

In 2009-2010, our goal was to promote and enforce compliance with Canada's tax laws for filing, withholding, registering, remitting, and debt obligations, including those amounts collected or withheld in trust on behalf of the Government of Canada, the provinces, the territories, and certain First Nations governments.

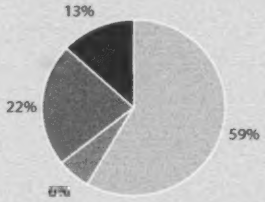
Our outcome

In 2009-2010, we mostly met the targeted level of resolving our tax debt and government programs' (non-tax) debt on a timely basis. Our tax debt and government programs' (non-tax) debt were within targeted levels. Non-compliance was detected and addressed within targets.

Our challenge

Our challenge is to identify, address, and prevent non-compliance, and to ensure we continue to resolve tax debt on a timely basis and keep it within targeted levels.

Spending Profile



Total Spending: $530 million

- ▨ Accounts Receivable – Tax Collections $308M
- ▨ Accounts Receivable – Government Programs $33M
- ▨ Trust Accounts – Compliance $119M
- ■ Non Filer / Non Registrant $70M

* Percentages may not add up to 100% due to rounding

(in thousands of $)

Total Authorities 2009-2010

$533,979

Actual Spending 2009-2010

$529,982

(12% of CRA's expenditures)

Variance

$3,997

Full–Time Equivalents 2009-2010

7,562

OUR 2009-2010 PRIORITIES

To achieve excellence in program delivery, we committed to undertake a number of initiatives that focused on improving tax integrity.

Tax integrity

Priority: Manage the level of tax debt

Achievement: Based on our risk management framework, we developed an initial tactical plan to focus our efforts on high-risk areas of non-compliance.

The CRA is committed to continually improving its management information systems to determine the results of collection efforts, and then using this information to guide its decision–making for each of its collection modes and actions. We use performance measurement indicators to gauge the effectiveness of our collection efforts.

Over the past several years, we have been developing the Integrated Revenue Collections (IRC) platform. IRC technology allows us to access large amounts of taxpayer data related to both filing compliance and accounts receivable. This data helps us identify trends, patterns, and relationships so we can develop strategies to increase the levels of compliance and revenue recovery.

We continue to develop, test, and pilot data mining models to better understand and predict taxpayers' behaviour and to make risk assessments of the non-compliant community.

In 2009-2010, we implemented more research data stores for the T1 (individual) tax revenue line. These data stores contain the information needed to analyze and conduct research to better understand taxpayer behaviours and to support queries on the non-compliant population. We are planning to expand these data stores to other tax revenue lines.

The Auditor General 2006 audit of tax accounts receivable was one of several drivers that led us to develop our risk management framework. It was designed to effectively manage field tax collection workloads by including analysis, risk-assessment, and action planning to address inventory pressures. The framework is based on a tactical plan that is completed yearly to reduce risks and capitalize on opportunities found through analysis and research. In 2009, as the first step in this exercise, we examined specific segments of Canadian industries that present a greater degree of collections risk. We analyzed the data and planned tactical solutions to be introduced in the future to reduce these risks.

Improvements in our understanding of the tax infrastructure and use of performance indicators increase our capacity to detect and address non-compliance.

EXPECTED RESULTS

Our expected results are the criteria we use to measure our activities and report to Canadians on their effectiveness. We carry out our Accounts Receivable and Returns Compliance activities to achieve two expected results.

1. Tax debt and government programs' (non-tax) debt are resolved on a timely basis and are within targeted levels. **Mostly Met**

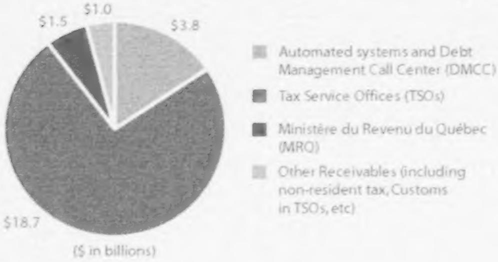
The CRA collects taxes, related interest, and penalties owed to the Government of Canada. Tax debt occurs when monies owed are not paid when they become due. Early risk determination of the ability to collect debt facilitates both timely and efficient debt collection, as the longer the debt exists, the harder and more expensive it can be to collect.

We increased our focus on our front-end collections program, which handles the resolution of routine, low-risk, tax debt at minimal cost within a specified period of time. This allows our Tax Services Offices (TSO) agents to concentrate on accounts that require more analysis and investigation. Front-end operations focus on resolving accounts early, through activities such as telephone contact and automated letters, before the accounts enter into resource-intensive debt management operations. Our TSO operations focus on more complex, higher–risk accounts that entail using escalating collection measures, including legal and enforcement actions, to deal with non-compliant taxpayers.

We have continued to allocate our collections efforts to our low-cost front-end activities. This enables our higher-cost TSO operations to focus on higher risk accounts receivable activities.

At the end of the 2009-2010 fiscal year, with the expectation of an increase, the total tax debt inventory rose to about $25 billion, an increase of $0.7 billion, or 2.9%, over 2008-2009[4].

Figure 11 Allocation of year-end tax debt between TSOs, Automated Systems and DMCC, MRQ, and Other Receivables strategies



Data quality: Good

As shown in Figure 11, $3.8 billion was the portion of our year-end tax debt that was subject to lower–cost, risk-based, debt management strategies through automated systems and our Debt Management Call Centre (DMCC). Tax debt requiring extensive analysis and investigation by TSO agents was $18.7 billion.

This debt includes actioned accounts where a pending resolution has been reached (for example, the taxpayer has agreed to pay the debt over a specified time) but the debt has not yet been paid in full. In addition, $1.5 billion was the responsibility of Revenue Québec, and Other Receivables (including non-resident tax, Customs in TSOs, etc) amounted to $1.0 billion.

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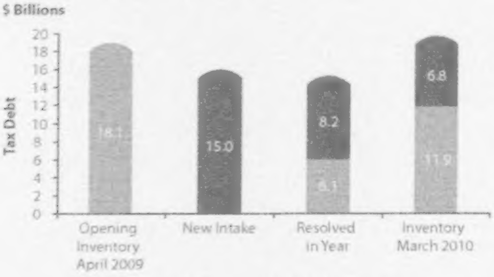
[4] **Values are approximate only, due to ongoing financial adjustments, and are subject to rounding.**

Resolution of Tax Debt by Strategy ($ billions)	**2008-2009**	**2009-2010**	**$ Change**	**% Change**
Automated and DMCC strategies	$17.6	$15.3	-$2.3	-13.1%
TSOs	$17.6	$14.3	-$3.3	-18.8%
Total tax debt resolved	$35.2	$29.6	-$5.6	-15.9%

As shown in the adjacent table, using our front-end operations and our TSOs allowed us to resolve about $29.6 billion[5] of tax, unpaid at the time of assessment during 2009-2010. When compared to the results from 2008-2009, this was a difference of $5.6 billion or 15.9%. The decrease is primarily due to the timing of several large commercial accounts being resolved during the reporting period, which skewed the 2008-2009 results upward.

Figure 12 2009-2010 TSO Intake, Resolution, and Inventory



Data quality: Good

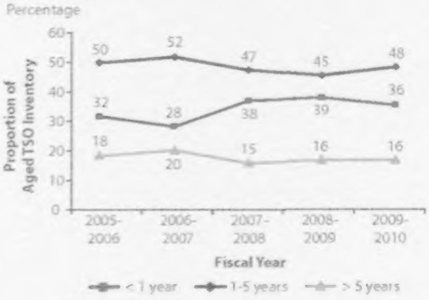
Of particular interest is our activity in the TSOs, for it is here that we resolve the accounts that present a greater risk. In 2009-2010, the $14.3 billion tax debt we resolved in our TSOs represents 95.3% of the value of TSO intake of new debt, exceeding our target of 90%. This indicates that we are successfully managing our higher-risk TSO inventory.

To assess our performance in addressing tax debt on a timely basis,[6] we expect our TSO agents to resolve at least 60% of the TSO intake of new debt in the year of intake. As noted in our Performance Report Card on page 69, in 2009-2010, we achieved 54.6%, falling short of our 60% overall timeliness target. With the recent economic downturn, we supported taxpayers by extending payment arrangements on new accounts and placed greater focus on resolving older debt. We believe these two factors contributed to the downturn in the timeliness measurement.

Priority: Implement the Strategic Review initiative for the collection of defaulted Canada Student Loans.

Achievement: The CRA implemented the transition of collection activities for defaulted Canada Student Loans from private collection agencies.

Figure 13 Age of Tax Debt



Data quality: Good

As shown in Figure 13, the proportion of the age segments of our debt inventory has remained relatively stable over the last five years. We believe that this trend confirms that we are managing all segments of the tax debt portfolio in a consistent manner. At the end of 2009-2010, debt over five years old represented about 16% of the inventory. In absolute terms, the dollar value of inventory greater than five years old at the end of 2009-2010 was $2.9 billion, slightly above our threshold of $2.7 billion. Aged inventory can

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5. Values are approximate only, due to ongoing financial adjustments, and are subject to rounding.
6. We are currently developing an appropriate intake resolution indicator for the pre-TSO collections sources.

be particularly challenging to resolve because the older an account gets, the more difficult it can be to collect. For this reason, we will continue to place a sustained effort on collecting older inventory.

Our government programs' (non-tax) debt collections included defaulted Canada Student Loans, Employment Insurance overpayments, and other debts on behalf of Human Resources and Skills Development Canada. Our government programs' (non-tax) collection model is based on the strategy that all new debts are handled by our Debt Management Call Centre before being transferred to a TSO agent. In 2009-2010, we exceeded our production targets, collecting over $615.3 million, or $24.8 million more than our target.

Overall, our performance results demonstrate that tax and government programs' (non-tax) debt are mostly resolved on a timely basis.

2. Non-compliance is detected and addressed. **Met**

The implementation of the Trust Compliance National Inventories initiative achieved some important benefits. It created a national inventory for all trust compliance work that allowed the equitable distribution of the varying types of compliance work to all compliance officers. It also removed geographical boundaries and facilitated the implementation of more effective processes, more detailed reporting, and clearer accountabilities. It resulted in positive impacts in both the Employer Trust Compliance and the GST/HST Delinquent Filer programs.

Priority: Implement the Trust Compliance National Inventories

Achievement: This initiative provided an operating environment that allocates cases based on a national risk-scoring model, and distributes non-compliant accounts electronically to the first available officer regardless of their location, making better use of our resources nationally.

To address individuals and organizations who fail to comply with Canada's tax laws, we facilitate and enforce their compliance obligations under the various laws we administer. Two key groups, non-filers/non-registrants (NF/NR) and employers who withhold deductions at source, are of high interest.

We enforce taxpayer obligations to file individual, trust, GST/HST, and corporate tax returns.

Non-filer and non-registrant activities	2008-2009	2009-2010	Change
T1/T2 returns obtained (000's)	787.5	728	-7.6%
GST/HST registrations identified	7,039	7,666	8.9%
Value of identified non-compliance	$2.4B	$2.9B	20.8%

With regard to non-filers, one of our key approaches is to obtain returns at minimal cost within a specific period of time using our front-end operations. Front-end operations focus on early intervention to obtain returns by issuing a request and/or a demand to file before the accounts enter more resource-intensive debt management operations.

In the latter part of the fiscal year, we initiated a pilot project to further refine the way we target potential non-filer accounts. This pilot uses predictive analytics and risk scoring to improve the determination of tax potential for known non-filer cases. The results of the pilot will be known in 2010-2011, and will be used to further enhance strategies and advanced tools to address filing non-compliance.

The prevalence of underground economy activity and its ongoing threat to the security of the Canadian tax base continue to drive the need for the CRA to change negative taxpayer behaviour through educational outreach and responsible enforcement. The Underground Economy Non-Filer/Non-Registrant Identification projects are reflected in the data in the table above, and have resulted in 26,907 tax returns being produced by filers previously unknown to the CRA. The related fiscal impact generated was $274.8 million.

Through our employer withholding and GST/HST examination activities, we enforce employers' and taxpayers' obligations to withhold, report, and remit source deductions, taxable benefits, and GST/HST. These activities are designed to promote employer awareness and understanding of tax laws and obligations under the *Income Tax Act*, the *Excise Tax Act*, the *Canada Pension Plan*, the *Employment Insurance Act* and their respective regulations, to increase and encourage compliance. In 2009-2010, we completed 552,290 Payroll reviews and exams and 13,979 GST/HST Examinations for a generated fiscal impact of $1.6B.

A Snapshot of Accounts Receivable and Returns Compliance

Key Volumetrics:

Accounts Receivable – TSO cash collections totalled $12.4 billion of which the National Pools actions contributed $1.1 billion. We resolved over 95% of the dollar value of new debt intake.

Returns Compliance – More than 728,000 returns were obtained from individuals and corporate taxpayers who had not filed their returns, over 7,600 GST/HST non-registrants were identified, and over 552,000 payroll non-compliance occurrences were completed. Our Contract Payment Reporting Initiative secured a total of 43,425 additional individual and corporate tax returns.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Tax and non-tax debt are resolved on a timely basis and are within targeted levels	**2009-2010**	**Mostly Met**	**Good**
	2008-2009	Met	Good

Our Indicators	**Current Target**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**	**Rating**
Percentage of intake resolved in the year of intake	60%	62.4%	66.7%	60.4%	62.7%	54.6%	✗
Dollar value of TSO production as a percentage of dollar value of TSO intake of new accounts receivable	90%	99.8%	90%	83%	93%	95.5%	✓
Dollar value of TSO tax accounts receivable older than five years ($ billion)[1]	$2.7	$2.5	$3.0	$2.6	$2.8	$2.9	✗
TSO cash collections ($ billion)	$8.9	$9.5	$9.7	$11.9	$16.0	$12.4	✓
Non-tax debt – Dollars collected ($ millions)	$590.5	N/A	$592.0	$614.7	$622.7	$615.3	✓

[1] Revised indicator and target.

Expected Result	Year	Performance Rating	Data Quality
Non-compliance is detected and addressed	**2009-2010**	**Met**	**Good**
	2008-2009	Met	Good

Our Indicators	**Current Target**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**2009-2010**	**Rating**
Non-compliance: T1/T2 non-filers and GST/HST non-registrants ($ billion)[1]	$2.4	$2.5	$2.4	$2.4	$2.4	$2.8	✓
Non-compliance: Employer/payroll/GST/HST Trust Accounts ($ billion)	$1.4[2]	$2.3	$2.4	n/a	$2.5	$1.6	✓

[1] The target of $2.4 billion includes both T1/T2 non-filer and GST/HST non-registrant sources. The resulting fiscal value of non-compliance was identified as $2.78 billion from the T1/T2 non-filer source, and $65 million from the GST/HST non-registrant source.

[2] Target does not include GST/HST delinquent filer program. Production and fiscal impact results were unavailable in 2009-2010 due to the GST/HST Redesign project and the Trust Compliance National Inventories initiative.

✓ Met	☑ Mostly Met	✗ Not Met

n/a Not Available	N/A Not Applicable

OUR DAY-TO-DAY ACTIVITIES

REPORTING COMPLIANCE

We undertake examinations, audits, and investigations to ensure compliance with Canada's tax laws. This includes verification and enforcement activities at the domestic and international level, as well as the administration of international tax agreements. We also provide information to taxpayers to help them comply. We conduct research to better identify non-compliance and develop strategies to address it.

Our Expected Result	Our Assessment
Non-compliance is detected and addressed.	Met

Our goal

In 2009-2010, our goal was to help protect Canada's tax revenue through a range of verification, audit, and enforcement activities, as well as through education. Our activities focus on the accuracy and completeness of the information taxpayers use to determine their tax liability.

Our outcome

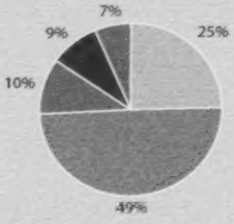
In 2009-2010, we continued our strong enforcement record, promoted public messaging to deter non-compliance, and enhanced the administration of the Voluntary Disclosures Program and the Scientific Research and Experimental Development program. We completed our second Compliance Review, identifying five major compliance priorities, and worked to improve our understanding of compliance risks that challenge the Canadian tax system.

Over the last few years, our assessment of having met our expected result for reporting compliance activities has been based on a variety of performance indicators as we try to find those that most effectively measure achievement of the result. This year, we have introduced several new indicators into the performance report card, on page 79, that focus on the extent to which our compliance activities resulted in a change to the amount of tax owed, and the revenue recovered through those changes. We see an ongoing challenge in measuring how effective our verification, audit and enforcement activities are in addressing and detecting overall reporting non-compliance.

Our challenge

In 2009-2010, as in previous years, the increasing complexity of the Canadian economies presents ongoing challenges to detecting and deterring non-compliance. Although we continue to achieve strong ratings overall for our performance management framework, we recognize the need to further strengthen this area. This challenge is common to tax administrations internationally, but we will continue to work towards using the best measures available to assess that we are achieving the desired result for reporting compliance.

Spending Profile



Total Spending: $1.1 billion

- ▢ Audit Programs – International and Large Business $271M
- ■ Audit Programs – Small and Medium Business $537M
- ■ Enforcement and Disclosures $113M
- ■ Audit Professional Services $98M
- ■ Scientific Research and Experimental Development $73M

* Percentages may not add up to 100% due to rounding

(in thousands of $)

Total Authorities 2009-2010

$1,129,081

Actual Spending 2009-2010

$1,092,367

(24.8% of CRA's expenditures)

Variance

$36,714

Full-Time Equivalents 2009-2010

10,147

OUR 2009-2010 PRIORITIES

We committed to undertake a number of initiatives that focused on strengthening service and tax integrity. This section describes the work we are doing to improve service in compliance programs and address priorities relating to reporting compliance. The following information relating to our audit and enforcement programs illustrates the magnitude of these activities.

Priority: Enhance the Voluntary Disclosures Program

Achievement:
In 2009-2010, we continued to see an increase in intake of information returns in the Voluntary Disclosures Program, such as those required for foreign reporting purposes. We use information from these returns to enhance our risk assessment processes and assist in the identification of non-compliance.

Strengthening service

To strengthen service delivery, we focused on increasing the accessibility and efficiency of our programs and services. For example, we began piloting our Electronic Transfer of Accounting Data initiative. This initiative was introduced in 2009-2010 as a pilot project in five of our Tax Services Offices. It includes a tool that allows businesses under audit to electronically send their books and records directly to the auditor by using My Business Account on the CRA Web site. In addition to protecting confidential taxpayer information, this initiative aims to save taxpayers time and increases our efficiency in conducting audits.

We also enhanced the administration of our Voluntary Disclosures Program (VDP) and our Scientific Research and Experimental Development program.

Voluntary Disclosures Program

We worked to improve the administration of the VDP in 2009-2010 through analysis of the current intake and environment. We also completed our annual quality review of the VDP in selected offices across Canada and found that all of the offices reviewed met our 90% internal quality standard. In addition, we promoted the VDP in news releases and tax alerts and incorporated it into our compliance initiatives. During 2009-2010, we saw an increase in both VDP cases received and unreported income identified.

In 2009, Canada's SR&ED program provided about $3.3 billion in assistance to over 21,000 claimants.

Scientific Research and Experimental Development Program

In the 2008 federal budget, the CRA committed to enhancing the quality assurance methodology of the Scientific Research and Experimental Development (SR&ED) program. In 2008-2009, we consulted with stakeholders and, in turn, developed a national SR&ED quality assurance framework. This framework will help ensure SR&ED claims and decisions are appropriate and consistent with CRA policies and the governing legislation across the country. Based on this framework, the SR&ED Quality Assurance Operations manual and the requisite tools were developed in 2009-2010.

In the 2008 Federal Budget, the CRA also committed to reviewing the SR&ED policies and procedures. In 2009-2010, we analyzed, organized, and clarified all SR&ED policy information. Over the next two years, the SR&ED program will be conducting online consultations to get the public's feedback on the new policy documents.

In 2009-2010, we expanded the filing capabilities of the CRA's Corporation Internet Filing service to allow eligible corporations to file their SR&ED claims, with their income tax returns, using the internet.

Tax integrity

We continue to improve our understanding of the compliance risks that challenge the Canadian tax system. The priorities below were identified for Reporting Compliance in the *Corporate Business Plan 2009-2010 to 2011-2012*.

Aggressive tax planning

Some tax intermediaries promote aggressive tax plans and schemes that go beyond the spirit of the law and are designed to obtain tax advantages that were not intended by governments. These abusive schemes and transactions are used to reduce, avoid, or evade Canadian taxes, sometimes through international transactions and, in particular, through the use of tax havens. Left unchecked, aggressive tax planning presents a risk to the integrity and fairness of Canada's tax system.

In 2009-2010, the CRA further addressed aggressive tax planning by implementing the International Tax Compliance Action Plan. We also undertook discussions with other tax administrations on tax information exchange agreements as part of our Exchange of Information initiative. On August 29, 2009, Canada signed its first tax information exchange agreement with the Netherlands Antilles.

The CRA worked with a number of international groups to identify and respond to international compliance threats as well as advance tax administration practices and protocols around the world. The CRA continued to participate in the cooperative analysis of international tax compliance issues through multilateral groups such as the Joint International Tax Shelter Information Centre (JITSIC). Member countries of JITSIC exchange information about specific abusive transactions and their promoters and investors within the framework of each country's bilateral tax treaties. Some of these exchanges have led to audits relating to offshore debit card accounts, audits of promoters of aggressive tax planning schemes, and the identification of potential tax haven abusers.

Our compliance activities targeted interprovincial tax avoidance. The CRA continued to implement its action plan by engaging the provinces in identifying and challenging interprovincial tax avoidance arrangements. In 2009-2010, the CRA completed 107 interprovincial tax avoidance cases with provincial recoveries of over $190 million.

Underground economy

The underground economy undermines the competitiveness of Canadian businesses because it offers an unfair advantage to those who fail to comply with Canada's tax laws.

To combat the underground economy (UE), our goals in 2009-2010 were to increase awareness of this issue among Canadians and to take effective actions to reduce its occurrence. We used a mix of education, outreach, communication, and compliance actions to meet our objectives. We also worked with other federal agencies and departments, provincial governments, tax administrations in other countries, international organizations, professional organizations, and key industry groups to share best practices and to develop innovative strategies to address the UE.

The CRA continued to implement the Underground Economy Compliance Strategy action plan. A number of pilot projects tested innovative compliance approaches to detect and deter UE activity. Nine underground economy projects came to an end in 2009-2010. Their results will be analyzed to determine whether new processes or techniques can be integrated to enhance our program activities, our risk assessment systems, and our strategies.

Final reports of past UE pilot projects will also be reviewed to identify best practices that can be added into our regular compliance activities.

GST/HST high-risk compliance

In 2009-2010, the CRA continued to implement its GST/HST High Risk Compliance Strategy action plan. Our approach to GST/HST compliance includes:

- enhancing our enforcement activities;
- improving our ability to identify high-risk registrants and refund claims before refunds are issued; and
- broadening our engagement of stakeholders.

To strengthen Agency-wide capacity to address willful non-compliance, three GST/HST high risk pilot projects were completed in 2009-2010. The results of these projects will be analyzed to determine if new processes or techniques can be integrated into our GST/HST compliance activities and strategies.

EXPECTED RESULT

Our expected result is the criteria we use to measure our activities and report to Canadians on their effectiveness. We carry out our Reporting Compliance activity to achieve the following expected result.

Non-compliance is detected and addressed.	**Met**

Voluntary Disclosures Program

Voluntary Disclosures Program	2008-2009	2009-2010	Change
Cases received	10,634	12,128	14%
Cases processed	11,393	12,506	9.8%
Unreported income identified	$766M	$1.8B	135%

The purpose of the VDP is to promote voluntary compliance by providing taxpayers with an opportunity to correct past omissions, thus rendering themselves compliant. A taxpayer cannot use the VDP to disclose only a current year income tax return simply to avoid paying the late-filing penalty. In some cases, the VDP also brings new taxpayers to the CRA. As indicated in the above table, in 2009-2010, we took in and processed more disclosures and identified more unreported income than the previous year.

Scientific Research and Experimental Development Program

The Scientific Research and Experimental Development (SR&ED) program is the largest single source of federal government support for industrial research and development. Our service standards relate to the timeliness with which we process SR&ED claims. In 2009-2010, SR&ED continued its strong performance record and exceeded established targets for its four service standards. Please refer to the Performance Report Card on page 123 for further information on the CRA's performance against service standards.

Aggressive tax planning

Our strategy to focus more of our audit resources in this area has increased the number of aggressive tax planning cases completed. The table to the right provides additional information on the volume of aggressive tax planning activities completed this past year. These results are included in the results table for the international and large business cases completed table on the next page. It is noteworthy that the twelve tax shelter lead audits that we undertook in 2009-2010, exceeding our target of ten such audits, involved almost 46,000 participants.

Aggressive tax planning (ATP)	2008-2009	2009-2010	Change
Number of ATP audits conducted as a percentage of estimates	133%	176%	32%
Tax shelter lead audits	6	12	100%
Tax shelter participants audited	34,105	45,890	34.6%
Other ATP audits	1,007	1,425	41.5%

Underground Economy

We furthered activities during 2009-2010 to address the underground economy (UE), examples of which are found in sectors including construction, home renovations, hospitality, taxi, automotive repairs and sales, and tourism. Under the Contract Payment Reporting System (CPRS), individuals, partnerships, and corporations whose primary activity is construction, are required to annually report their payments to sub-contractors for construction services to the CRA. The information received is matched against data maintained by CRA to identify those who have not filed tax returns or have under-reported their income.

Underground Economy (UE)	2008-2009	2009-2010	Change
UE cases	10,975	11,319	3.1%
Fiscal impact resulting from UE audits	$265M	$284M	7.2%
Unreported income	$562M	$521M	-7.3%
Incidence of detection of unreported income	48%	42%	-6%
CPRS audits	1,438	2,129	48.1%

Project Trident: This project targets three types of fraud: identity theft, charities fraud, and tax preparer fraud.

From February 2007 to March 2010, the CRA prosecuted 25 Trident cases in the courts, resulting in total fines of $2.7 million, and 550 months of jail time for individuals.

During 2009-2010 our small and medium -sized enterprises UE audit activities detected unreported gross income of $521 million. The table above provides additional information on the volume of UE activities completed this past year. These results are a sub-set of the results for small and medium enterprise audits presented in the table on the next page.

Audit teams in tax service offices carry out local outreach initiatives, focusing on business sectors where cash transactions are prevalent. These activities raise the visibility and profile of the CRA, help taxpayers meet their obligations through education and assistance, and inform businesses about their responsibilities and obligations. During 2009-2010, these activities included participation at 42 trade shows and 38 community and wharf visits.

We also work on an ongoing basis with Canada's provinces, territories, and other federal agencies and departments to better identify those participating in the underground economy. The Federal/Provincial/Territorial UE Working Group continues to explore new opportunities to jointly address the UE through research studies, information sharing, communication, education, and compliance initiatives.

Our 2009-2010 Program Results

International and large business

Cases completed	2008-2009	2009-2010	Change
International Audits	1,471	1,621	10.2%
Large and Basic Files	2,359	2,652	12.4%

International audits tackle issues of transfer pricing and residency, primarily as it relates to multi-national corporations. Our large business audit activities focus on corporations with annual revenues over $50 million. The table shows the volumes of cases completed this past year. As indicated in our Performance Report Card on page 79, overall, we far exceeded our estimates during 2009-2010 of the number of international and large business files we planned to complete.

Small and medium-sized enterprises

Cases completed	2008-2009	2009-2010	Change
Office audit activities	264,292	219,446	-17.0%
Small business audit activities	37,430	30,857	-17.6%
Medium-sized business audit activities	8,460	7,450	-11.9%
Other audits, reviews, and examinations (including service and education)	133,367	122,621	-8.1%

Activities related to Small and medium enterprises (SME) are directed at a variety of taxpayer segments. Office Audit examines a large number of cases handled through telephone, letter, or face-to-face interviews. Small business audits include owner-operated businesses, small corporations, and partnerships that have revenues of less than one million dollars. Medium-sized business audits, which encompass individuals with revenues over one million dollars and corporations with revenue between $1 million and $50 million, can include trusts, non residents, and public service bodies. Other SME-related activities include such programs as the Prepayment Risk Assessment Program, Specialty Audit Program, Film Industry Services Program, GST/HST Non-Resident Audits, and International Waivers and Dispositions. The table on the prior page shows the volumes of cases completed this past year. As indicated in our Performance Report Card on page 79, overall, we exceeded our estimates during 2009-2010 of the number of SME files we planned to complete.

Enforcement

Enforcement activities	2008-2009	2009-2010	Change
SEP cases completed	874	928	6.2%
SEP delinquent actions completed	2,014	1,999	-0.1%
Enforcement actions (including investigations)	3,603	3,374	-6.4%
Convictions	257	216	-16.0%
Total years of jail sentences	63.67	58.25	-8.5%

Tax fraud and evasion represent the most flagrant instances of non-compliance with tax statutes. Our Special Enforcement Program (SEP) conducts audits and undertakes other civil enforcement actions against individuals and businesses who are known or suspected of deriving income from illegal activities. Suspected significant cases of fraudulent non-compliance with the legislation we administer are dealt with by our Criminal Investigations Program, who investigate and refer cases for prosecution to the Public Prosecution Service of Canada. We also publicize each case which results in a conviction for wilful non-compliance with this legislation. Court convictions are publicized in local, regional, and national media to communicate the consequences of fraud committed against the Canadian public and to maximize the deterrent effect of these convictions. The table above summarizes key enforcement activities carried out in 2009-2010.

Criminal investigations

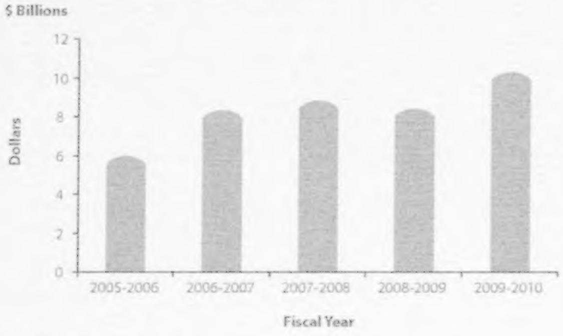
In 2009-2010:

- the dollar value of court-imposed fines exceeded $11.9 million
- 216 individuals and businesses were convicted
- 34 individuals were sentenced to prison terms

To help protect Canada's revenue base, we work to detect non-compliance, take appropriate action, and deter future cases of reporting non-compliance through our audit and enforcement activities. We strive to establish a relationship based on co-operation, openness, and transparency—key factors in an efficient audit. The Canadian public and the CRA have a mutual interest in making sure our audits are conducted efficiently and concluded in a timely fashion.

Fiscal impact

Figure 14 Fiscal Impact of Reporting Compliance Activities



Data quality: Good

Fiscal impact refers to the additional amounts of taxes owing that are identified through our compliance activities. It also includes the present value of future tax assessments (including interest and penalties). Our audit programs detected a total of $9.9 billion in fiscal impact during 2009-2010. This amount included $7.2 billion identified through international and large businesses audits; $2.1 billion resulting from audits and examinations in small and medium-sized enterprises; $448 million from special-incentive audits; and $150.5 million as a result of audits related to our Special Enforcement Program. Additionally, $866.3 million that had been included in our program results in prior years was refunded during 2009-2010 to Canadian taxpayers because of double taxation issues with foreign taxpayers.

A Snapshot of Reporting Compliance

Key Volumetrics:

International and large businesses – We conducted 51,600 audits, resulting in a fiscal impact of $7.2 billion.

Small and medium enterprises – We conducted 380,373 audits and examinations, resulting in a fiscal impact of almost $2.1 billion.

Enforcements and disclosures – We conducted 928 audits under the Special Enforcement Program, identifying $78 million in additional tax owing. We also referred 149 income tax and GST/HST cases to the Public Prosecution Service of Canada.

Scientific Research and Experimental Development Program – This program provided almost $3.3 billion in tax credits to over 21,000 claimants.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Non-compliance is detected and addressed	**2009-2010**	**Met**	**Good**
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Number of files audited as a percentage of estimate:							
International and large businesses	100%	n/a	197%	124.4%	133.4%	169%	✓
Small and medium-sized enterprises	100%	n/a	153%	126.9%	136.1%	115%	✓
Financial recoveries[1] as a percentage of estimate:							
International and large business	100%	n/a	169%	167%	116%	133%	✓
Small and medium-sized enterprises	100%	n/a	267.5%	123.8%	124.7%	141.9%	✓
Percentage of cases[2] resulting in a change:							
International and large business	90%	n/a	92%	94%	95%	96%	✓
Small and medium-sized enterprises	75%	n/a	80.2%	79.6%	80.9%	81.1%	✓
Voluntary Disclosures Program (VDP)							
Processing time for voluntary disclosures (in days)	Downward trend	n/a	225	227	253	196	✓
Percentage of voluntary disclosures that are fully compliant with VDP policies and procedures as reviewed as part of our Quality Assurance Program	90%	n/a	n/a	n/a	n/a	97%	✓

[1] Financial recoveries refers to the additional amounts of taxes owing that are identified through our compliance activities, including the present value of future tax assessments. Fiscal impact refers to the amount included within Financial Recoveries, and also includes interest, penalties and provincial taxes assessed.

[2] Starting this year, we changed the reporting methodology for SME and ILB. We have reported 'cases' completed instead of 'files' completed as reported in previous years. Cases represent the primary risk-assessed audits conducted on a taxpayer, whereas files include all secondary or related cases to the primary cases. A case could have more than one related file.

✓ Met	☑ Mostly Met	✗ Not Met
n/a Not Available	N/A Not Applicable	

OUR DAY-TO-DAY ACTIVITIES

APPEALS

Taxpayers can dispute assessments and determinations pertaining to income tax and commodity taxes, and Canada Pension Plan/Employment Insurance (CPP/EI) assessments and rulings. If taxpayers are not satisfied with the results of our review process, they can then appeal to the courts.

Our Service Complaints process provides taxpayers *with a formal avenue of recourse to the service rights* contained in the Taxpayer Bill of Rights. If taxpayers disagree with a decision resulting from our Service Complaints process, they can file recourse actions with the Taxpayers' Ombudsman.

Our Expected Results	Our Assessments
1. Taxpayers receive an impartial and timely review of contested decisions.	**Mostly Met**
2. Service complaints and the taxpayer relief provisions are administered consistently.	**Met**

Our goal

In 2009-2010, our goal was to provide a fair and timely redress process, both when taxpayers dispute CRA decisions about income tax, commodity tax, and CPP/EI issues, and when they register their complaints about the services they have received from the CRA.

Our outcome

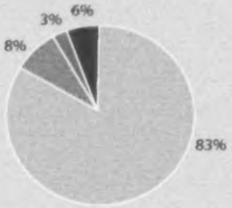
In 2009-2010, we demonstrated fairness in our review of taxpayers' contested decisions. However, it has taken us more time to provide decisions due to a sharp increase in disputes related to aggressive tax planning schemes.

Service complaints and the taxpayer relief provisions were administered consistently, in support of our commitment to fairness.

Our challenge

Our challenge is to manage CRA business processes to effectively respond to the increased volume of income tax disputes resulting from targeted compliance activities that focus on questionable tax planning and other schemes.

Spending Profile



Total Spending: $148 million

- ▨ Income Tax Objections, Determinations and Appeals to the Courts $123M
- ■ Commodity Taxes Objections, Determinations and Appeals to the Courts $12M
- ■ Canada Pension Plan / Employment Insurance Objections, Determinations and Appeals to the Courts $4M
- ■ Service complaints $9M

* Percentages may not add up to 100% due to rounding

(in thousands of $)

Total Authorities 2009-2010
$149,799

Actual Spending 2009-2010
$148,009
(3.3% of CRA's expenditures)

Variance
$1,790

Full-Time Equivalents 2009-2010
1,286

OUR 2009-2010 PRIORITIES

To achieve excellence in program delivery, we committed to undertake a number of initiatives that focused on strengthening service and reinforcing trust.

Priority: Improve our service to the public by streamlining the workload and by finding efficiencies within the Service Complaints and Problem Resolution programs

Achievement: Our ability to improve service to the public has increased with our integration of the two programs.

Strengthening service

In 2009-2010, as in 2008-2009, a significant increase in the volume of taxpayers' income tax disputes continued to strain our processing capacity.

As described in the section of this report entitled "Achieving Our Tax Services Strategic Outcome", the CRA's focus on questionable aggressive tax planning schemes has resulted in a significant increase in income tax "class-action" type disputes from taxpayers. To date, taxpayers participating in questionable aggressive tax planning schemes have also chosen to litigate confirmed assessments.

In response, the CRA has put in place a number of administrative strategies to deal with the high volume of disputes. We have reallocated existing resources to address the front-end administrative management activities of our dispute resolution process. Also, we strengthened service by allowing less complex disputes to be distributed and assigned to available resources throughout the country. This increases management flexibility and is expected to improve processing time for this category of work. About $1.5 million was reallocated in the fourth quarter of 2009-2010, our busiest period, to hire and train more staff.

Priority: Address the challenges in dealing with the increased disputes workload

Achievement: The reallocation of resources and improved coordination of efforts is anticipated to address the increased workload.

We also launched a review of the reasons for the increased volume in our disputes resolution program, with a view to strengthening the CRA's overall response. This increased volume of disputes resulted largely from the CRA's focus on specific aggressive tax planning schemes. The CRA will strive to enhance its planning capability to more effectively address the higher volume of disputes.

We renewed our protocol with the Department of Justice Canada. The changed protocol improves flexibility in resolving certain issues under appeal to the courts. The Department has more latitude to make decisions without having to consult with us. This enhanced flexibility supports our goal of improving taxpayer service by providing decisions sooner.

In 2009-2010, we continued the initiative of integrating the Service Complaints and the Problem Resolution programs to better respond to our clients. The integration is intended to permit staff throughout the CRA to address taxpayer concerns, and enhances how we identify and resolve service issues. The integration will be completed during 2010-2011.

The CRA has successfully integrated the staff and disputes workload received from the Corporate Tax Administration for Ontario initiative. Now, Ontario corporations will file one return and, if needed, file one dispute, and have to contact only one government organization.

Reinforcing trust

A key factor in our commitment to fairness is our mandate to consider relief from penalties and interest due to circumstances beyond the control of the taxpayer. These relief provisions are contained in the various acts we administer. In support of our commitment, we implemented a new Taxpayer Relief Registry System that is intended to improve our analysis and decision-making processes.

We further refined our online presence to improve taxpayers' access to appeals services. During 2009-2010, we enhanced the online formal dispute service for businesses so that users can better understand the submission requirements for disputes involving the Canada Pension Plan and Employment Insurance. We expect that our staff will be able to address user concerns more quickly.

We believe that these priority initiatives contributed to improvements in productivity, consistency, and accessibility. We will continue to identify opportunities to improve the evolving environment of disputes and service complaints.

EXPECTED RESULTS

Our expected results are the criteria we use to measure our activities and report to Canadians on their effectiveness. We carry out our Appeals activities to achieve two expected results.

1.	Taxpayers receive an impartial and timely review of contested decisions.	**Mostly Met**

Our main priority is to ensure that all taxpayers have access to an impartial dispute resolution mechanism. An impartial and timely process fosters trust in the integrity of our self-assessment tax system, which, in turn, promotes voluntary compliance with Canada's tax laws. To demonstrate the impartiality with which the CRA strives to administer the disputes process, we believe our disputes resolution process must exercise exemplary levels of transparency, consistency, and timeliness.

Our measurement of transparency evaluates whether we offered to provide to the taxpayer all relevant information supporting issues under dispute—including auditor records, but excluding information held in confidence under governing legislation. As noted in our Performance Report Card on page 87, we exceeded our transparency targets for both income tax and commodity tax cases.

Our measurement of consistency evaluates whether we reviewed, researched, and addressed the taxpayer's issues under dispute; applied the law correctly; provided taxpayers with an opportunity to respond to our proposals; and arrived at correct decisions. During 2009-2010, we exceeded our consistency targets for income tax and CPP/EI. Though we achieved 94.9%, we did fall slightly short of our 97% consistency target in commodity taxes. We have put in place an action plan to address this minor gap, and expect improved results over the coming months.

Quality Assurance Review – Using sampling methods, our quality assurance review examines our dispute resolution activities across Canada to assess our performance against our targets for consistency and transparency.

Workable files are those that are awaiting our action.

Non-workable files are awaiting a court decision or action from others.

We believe that handling disputes quickly is important in evaluating our service performance. At the same time, we recognize that a quality decision is critical and must not be compromised for the sake of timeliness.

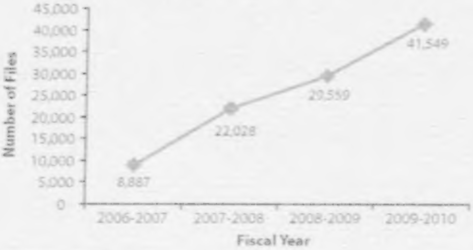
Total disputes	2008-2009	2009-2010	Change
Disputes resolved	66,637	67,441	1.2%
Intake	95,347	117,742	23.5%
Workable inventory	27,612	34,771	25.9%
Non-workable inventory	81,652	124,798	52.8%

When taxpayers file a notice of dispute, we aim to notify them of receipt of their dispute within 30 days at least 85% of the time, as set out in our service standard. In 2009-2010, we achieved our service standard just 50% of the time, a decline from 2008-2009 due to the sharp increase in disputes received. As described earlier, we increased our operating capacity, which should improve our timeliness performance by 2011-2012. We achieved our service standard 90% of the time for CPP/EI disputes.

Our total Appeals production, as measured by total disputes resolved, increased by 1.2% over 2008-2009. Even though we increased our production, the number of total workable disputes in inventory increased by 25.9% over last year, and the total number of non-workable disputes in inventory increased by 52.8%.

Commodity tax disputes include mainly GST/HST issues, as well as issues concerning other excise taxes, levies, and rebates.

Figure 15 The Appeals workload has increased sharply in recent years (tax planning schemes).



Data quality: Good

Income tax disputes comprised about 90% of the files we received. By far the largest part of new intake came from the reassessed taxpayers involved in the CRA's targeted aggressive tax planning schemes. As shown in Figure 15, and considering 2006-2007 as a typical year, each succeeding year's inventory has increased, primarily from disputes relating to tax planning schemes. In 2009-2010, we received about 40% more disputes from these schemes than in 2008-2009, and altogether a 467% increase over 2006-2007. The additional resources required to administer the high volume of these disputes at the front end of the process lengthened the time it took us to resolve disputes in general. This had a negative impact on the timeliness of the resolution process.

Total dollar values:

- disputes resolved during 2009-2010: $5.3 billion
- outstanding disputes in our workable inventory: $4.7 billion
- outstanding disputes in our non-workable inventory: $9.0 billion

Income tax disputes comprise, by far, the largest part of Appeals activities. Despite resolving 1.4% more income tax disputes in 2009-2010, our closing inventory of workable income tax files increased by 23.6% over 2008-2009. This increase included the new volume of work related to the Corporate Tax Administration for Ontario initiative. Non-workable inventory increased by 54.2%, reflecting the large number of disputes from aggressive tax planning schemes held in abeyance pending decisions from the judicial system.

Income tax disputes	2008-2009	2009-2010	Change
Disputes resolved	56,974	57,791	1.4%
Intake	85,436	106,548	24.7%
Workable inventory	22,877	28,265	23.6%
Non-workable inventory	80,090	123,463	54.2%

Commodity tax disputes	2008-2009	2009-2010	Change
Disputes resolved	6,903	6,778	-1.8%
Intake	6,906	8,151	18%
Workable inventory	3,883	5,464	40.7%
Non-workable inventory	1,469	1,261	-14.2%

In 2009-2010, we resolved 1.8% fewer commodity tax disputes than in the previous year. This slight decrease was due, in part, to the resources we shifted to manage the increase in income tax disputes. As well, we received 18% more disputes. These factors resulted in an inventory increase of 40.7% over 2008-2009. While this increase is significant in percentage terms, in absolute terms it is small when compared with the increase in the workable inventory in income tax disputes.

In 2009-2010, we took 250 workable days to resolve disputes for commodity taxes, a decline in performance from the 214 days achieved in 2008-2009.

CPP/EI disputes	2008-2009	2009-2010	Change
Disputes resolved	2,760	2,872	4.1%
Intake	3,005	3,043	1.3%
Workable inventory	852	1,042	22.3%
Non-workable inventory	93	74	-20.4%

Though the average time to resolve CPP/EI files increased from 117 days in 2008-2009 to 149 days in 2009-2010, we increased our production by 4.1%. These results benefited from both the stability of the intake volume, a 1.3% increase over 2008-2009, and improved productivity.

We believe that, on balance, our actions have begun to address the challenges to our program, and we will continue to develop strategies to reduce the negative effects of the sharp increase in new disputes on our Appeals program. We anticipate an improvement in certain areas of our results in coming periods.

2. Service complaints and the taxpayer relief provisions are administered consistently. **Met**

Service complaints help us identify problems and propose solutions in support of the eight service rights outlined in the Taxpayer Bill of Rights. As part of our service complaints program, we established two internal performance standards that reinforce our commitment to service. Meeting these performance standards, combined with the commitments we made in our first service complaints annual report, demonstrates our commitment to provide taxpayers with a consistent and effective service complaints process.

Service complaints – When taxpayers are not satisfied with the service received from us, they have the right to make a formal complaint.

We aim to send the taxpayer a complaint acknowledgement letter within two business days of receiving the service complaint in 90% of cases and, in 2009-2010, we achieved this target 97.9% of the time. Every 15 days thereafter, we are committed to updating the taxpayer on the status of the complaint. In 2009-2010, we succeeded 94.5% of the time against our target of 90%.

We also aim to resolve taxpayer complaints within 30 days. We did so in 92.7% of cases, compared with our target of 90%. Overall, we believe we have made substantial progress in managing service complaints, and we will pursue further opportunities for improvement.

Taxpayer relief provisions – Taxpayer relief provisions give us some flexibility and permit us to be more responsive to circumstances where it would be unreasonable or unfair to penalize the taxpayer.

We use a set of quality assurance indicators within the Appeals Program to gauge our administration of the taxpayer relief provisions. Our performance indicators include: the quality of the first and second review, the completeness of the taxpayer relief request, the timeliness of the review, the quality of the taxpayer relief decision report, and the quality of communications with the taxpayer. Altogether, the quality assurance program examines 29 points associated with the taxpayer relief provisions, and we achieved our 95% performance target against these measures as a whole. Based on these results, we believe that we have met the performance criteria for relief granted under the taxpayer relief provisions.

Taxpayer Relief Provisions	2008-2009	2009-2010	Change
Requests processed	63,483	82,911	30.6%
Requests allowed in- full and in-part	38,964	51,218	31.4%
Value of requests allowed in-full and in-part	$646M	$280M	-56.7%
Automated waivers allowed[1]	280,619	280,923	0.1%
Total number of requests cancelled and/or waived	319,583	332,141	3.9%

[1] Automated waivers have been added this year to improve the reporting of results related to the taxpayer relief provisions.

A Snapshot of Appeals

Key Volumetrics:

Disputes – We resolved more than 67,000 disputes. The total taxes in dispute amount to more than $13.7 billion (the value of workable files is $4.7 billion, and the value of non-workable files is almost $9.0 billion).

Taxpayer Relief Provisions – A total of 82,911 requests for relief from interest and penalties were processed by the CRA; 51,218 of these requests were allowed in favour of the taxpayer. The total value of all cancellations and waivers was more than $478 million for 332,141 taxpayers.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Taxpayers receive an impartial and timely review of contested decisions	**2009-2010**	**Mostly Met**	**Good**
	2008-2009	Mostly Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Appeals activities that met standards for consistency							
Income tax	97%	99.5%	99.6%	99.5%	99.0%	98.6%	✓
Commodity taxes	97%	98.0%	97.0%	95.4%	96.2%	94.9%	☑
CPP/EI	95%	99.6%	99.6%	99.4%	99.3%	99.4%	✓
Appeals activities that met standards for transparency							
Income tax	98%	98.1%	99.3%	99.6%	99.5%	99.7%	✓
Commodity taxes	98%	99.4%	98.8%	99.2%	99.5%	99%	✓
Timeliness indicators							
Service standard for initial contact	85%	89%	89%	84%	68%	50%	✕
Workable days to complete a case[1]							
Income tax	Various	120	107	141	157	187	✕
Commodity taxes	Various	170	171	169	214	250	✕
CPP/EI	Various	183	203	123	117	149	✕
Average age of workable inventory (in days)							
Income tax	Neutral or downward trend	159	175	177	205	215	✕
Commodity taxes	Neutral or downward trend	175	181	204	243	276	✕
CPP/EI	Neutral or downward trend	178	80	70	103	135	✕

[1] The overall rating is based on whether or not results were achieved against established targets for the combined workloads.

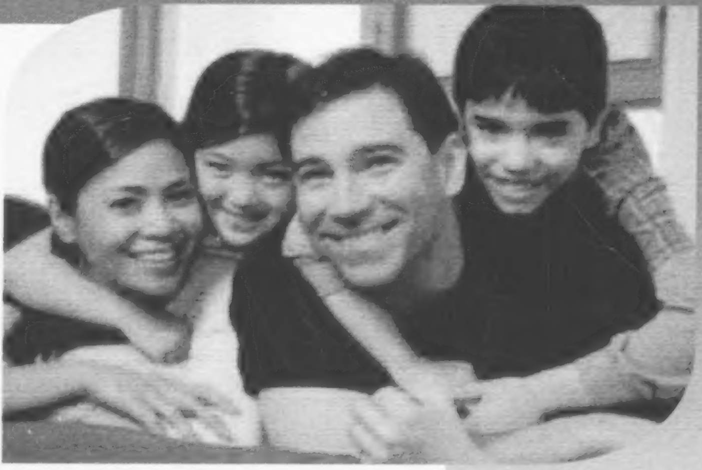
Expected Result	Year	Performance Rating	Data Quality
Service complaints and the taxpayer relief provisions are administered consistently	**2009-2010**	**Met**	**Good**
	2008-2009	Mostly Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Service complaints—acknowledged within 48 hours	90%	N/A	N/A	N/A	93.8%	97.9%	✓
Service complaints—taxpayers contacted within 15 days	90%	N/A	N/A	N/A	86.7%	94.5%	✓
Taxpayer relief provisions—consistent application (per Quality Assurance Program)	95%	N/A	N/A	N/A	95%	97%	✓

✓ Met	☑ Mostly Met	✕ Not Met
n/a Not Available	N/A Not Applicable	

OUR DAY-TO-DAY ACTIVITIES

BENEFIT PROGRAMS



We contribute directly to the economic and social well-being of Canadians by delivering benefits, credits, and services to eligible recipients. We administer the Canada Child Tax Benefit, the goods and services tax/harmonized sales tax credit, and Children's Special Allowances, which are core federal programs that issue benefit payments. We also deliver the Universal Child Care Benefit on behalf of Human Resources and Skills Development Canada, the Disability Tax Credit, as well as other benefit and credit programs and services on behalf of federal, provincial, and territorial government clients. During 2009-2010, our benefit programs touched the lives of over 20.7 million Canadians.

Our Expected Results	Our Assessments
1. Benefit recipients have access to timely and accurate information.	Met
2. Eligibility determination and payment processing are timely and accurate.	Met

Our goal

Our goal in 2009-2010 was to ensure effective service delivery that issued timely and correct benefit payments to eligible families and individuals. In addition, we aimed to reduce the overall cost of government by reducing duplication in administration and delivery functions.

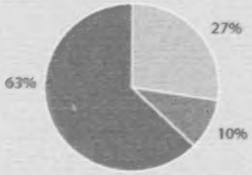
Our outcome

In 2009-2010, we met each challenge we encountered. We maintained exceptional performance in delivering programs while incorporating important additions and changes to our programs and services. Our results show that we consistently administered reliable, high-quality programs and services to benefit recipients and client governments during one of the most difficult economic periods that Canadians have faced in recent years.

Our challenge

We understand the importance that Canadians place on our reliable and accurate delivery of payments and credits on behalf of our government clients. We are challenged each year to ensure that increased needs and limited resources do not have a negative effect on our delivery of essential benefits and services.

Spending Profile



Total Spending: $342 million

- ▢ Benefit Programs Administration $94M
- ▨ Benefit Enquiries $33M
- ■ Children's Special Allowance $215M

* Percentages may not add up to 100% due to rounding

(in thousands of $)

Total Authorities 2009-2010

$342,634

Actual Spending 2009-2010

$342,440

(7.8% of CRA's expenditures)

Variance

$194

Full-Time Equivalents 2009-2010

1,511

OUR 2009-2010 PRIORITIES

In support of our overarching objective of achieving excellence in program delivery, we committed to undertake a number of initiatives that focused on strengthening service and addressing non-compliance.

We received 45,126 electronic benefits applications in 2009-2010 through Benefits Online Applications, compared with 29,502 in 2008-2009, an increase of 52.9%.

Strengthening service

The work that we do affects the financial security of individuals and families across the country. We strengthened service during 2009-2010 by making our programs and services more accessible and efficient. We invested resources to enhance our electronic self-service options to ensure that benefit recipients had timely access to the information and tools that they needed. For example, individuals now have the ability to remit benefit overpayments electronically. This can now be done through some financial institutions and also through the CRA's My Payment web service.

To ensure that Canadians know about and can access benefit and credit programs, we were involved in outreach activities during 2009-2010. We sent representatives from our Disability Tax Measures Initiative to attend several medical conferences. At some of these events, we distributed a new Disability Tax Credit compact disk containing information for qualified practitioners. Recognizing a need for targeted messages for First Nations and the Territory of Nunavut, we created and distributed posters containing information about benefit and credit programs. The Nunavut poster is available in English, French, and Inuktitut.

Priority: Enhance self-service options

Achievement:
In 2009-2010, we:

- launched the My Payment service
- Updated the marital status confirmation process for Benefits Online Applications.

There was a dramatic increase over the last year in visits to My Account. We attribute this increase to enhancements such as a status indicator for users of the Automated Benefits Application, more information for new programs, and an updated marital status confirmation process for Benefits Online Applications. Large increases like this show us that the self-service options on our Web pages are becoming increasingly popular and can also be linked to a national trend towards increased use of e-services.

Number of visits	2008-2009	2009-2010	Change
My Account (Benefits)	1,983,395	2,555,109	29%

By communicating directly with benefit recipients, we validated marital status, children's care situations, addresses, and income information. The information we give recipients during validation reviews is designed to inform and educate them about their eligibility and entitlement requirements. We provide this service to encourage recipients to comply with program reporting obligations so that their payments are accurate.

EXPECTED RESULTS

Our expected results are the criteria we use to measure our activities and report to Canadians on their effectiveness. We carry out our Benefit Programs activities to achieve two expected results:

1. Benefit recipients have access to timely and accurate information. **Met**

Benefit telephone enquiries	2008-2009	2009-2010	Change
Agent-answered	3,836,027	3,591,576	-6.4%
Automated	2,846,083	2,887,822	1.5%
Total	**6,682,110**	**6,479,398**	**-3.0%**

Benefit recipients are provided with information, tools, and various forms of help geared to their needs. We communicate with Canadians through the Internet and on paper, but many people still rely on the telephone as their main method of contact. As noted in our Performance Report Card on page 94, for Canada Child Tax Benefit (CCTB) and goods and services tax/harmonized sales tax (GST/HST) credit enquiries, we were successful in meeting our target for the percentage of callers able to reach us by telephone. We had to make constant adjustments during the year to balance taxpayer expectations with available resources to handle the fluctuations in demand and to equalize program performance.

We also met our service standard for answering CCTB enquiries within two minutes of entering the agent queue. Our GST/HST credit telephone service was similarly successful. Note that there is currently no service standard for GST/HST credit enquiries.

We strive to provide accurate telephone service by using various tools and updating the reference materials we need to work efficiently. This year, in order to improve our agent training materials, we undertook a major revision and redesign of courses into modernized, online formats. Enhancements to our intranet site and the internal search engine enabled agents to provide better service.

Based on the number of individuals who were able to contact us by telephone, the number of people who accessed our Internet pages for information, and the work we did to enhance our communication products over the past year, we confirm that we met our expected result for benefit recipients having access to timely and accurate information.

Priority: Ensure timely and accurate benefit payments to all eligible individuals
Achievement: In 2009-2010, a new Web page for qualified practitioners was launched to ensure they have the information they need to complete the Disability Tax Credit Certificate on behalf of their patients.

2. Eligibility determination and payment processing are timely and accurate. **Met**

To ensure that accurate payments are received on time by the right individuals, recipients must provide us with timely and valid information, and we must process this information efficiently and accurately. We also need to communicate with recipients in a clear and straightforward manner so that they understand the status of their accounts, as well as the information that was used to calculate their benefits and credits.

We must process applications, marital status change forms, written enquiries, and telephone referrals promptly so that we have the latest and most accurate information when we calculate benefits. In 2009-2010, we met our timeliness service standard target for processing applications and marital status change forms.

Priority: Ensure timely and accurate benefit payments to all eligible individuals

Achievement: In 2009-2010, our overall accuracy was 97.4% for processing benefit applications and marital status forms, and 99.3% for processing written enquiries and telephone referrals, meeting our target of 98%. Payment accuracy for these activities was 99.4% for processing benefit applications and marital status forms and 100% for processing written enquiries and telephone referrals.

Information from benefit recipients must also be processed accurately. We review the results of our processing activities to ensure that we meet high timeliness and accuracy standards. We confirm account adjustments and explain the information we use to calculate benefits through the benefit notices that we send to recipients. To ensure that our notices are clear and our messages are understandable, we reviewed them during 2009-2010. We also reviewed the quality of correspondence we send to taxpayers.

Timely processing	2008-2009	2009-2010	Change
Number of applications and marital status change forms processed	735,239	729,002	-0.8%

Benefits validation

We strive to ensure that we deliver the right amount of benefits and credits to eligible families and individuals across Canada. This maintains the integrity of our programs, assuring individuals and client governments that they can have confidence in the effectiveness of our administration. In 2009-2010, we applied elements of our compliance strategy to enhance the accuracy of benefits and credits issued.

To measure levels of compliance, we review and verify recipient information each year, contacting individuals to confirm details of their accounts. If the account information is incorrect, we update it. We use both random sampling and specific criteria to select accounts. Using these two methods allows us to gauge how effectively we are identifying groups that pose a high risk for potential over- or underpayments. Over 94.4% of the random accounts that were validated during 2009-2010 contained accurate information, while over 53.5% of the individuals contacted as a result of targeted reviews required account adjustments. Comparing these results indicated that we used effective criteria for selecting accounts for review, that we ensured benefits were paid only to those who qualify, and that the correct amounts were issued.

We reviewed 212,017 accounts in 2009-2010. Our adjustments uncovered $82 million in benefit and credit underpayments and over $156 million in overpayments. When recipients were overpaid, we offset amounts from future payments, refunds, and credits that they are entitled to.

When we discuss accurate benefit and credit determination and payment, we assess our internal activities to ensure that we are on target, but we also recognize that accurate and timely processing is only half of the story. The ability and willingness of benefit recipients to provide reliable information as soon as there has been a change that would affect their benefit calculation is the other essential element. We invest resources to make it easy for benefit recipients to comply with their obligations and we undertake rigorous validation activities and contact large numbers of recipients each year to confirm that the information used to calculate their benefits is accurate.

Based on the measurement of the speed and accuracy of our adjustments to benefit recipient accounts, and the results of our validation activities, we confirm that we met our expected result for timely and accurate eligibility determination and payment processing.

A Snapshot of Benefit Programs

Key Volumetrics:

Benefit Programs Client Services – We handled almost 6.5 million telephone enquiries.

Benefit Programs Administration – We issued 88.5 million benefit payments totalling over $17.6[1] billion to almost 11.5 million recipients. We determined $816 million in Disability Tax Credit (DTC) for 547,000 individuals. We processed 729,000 applications and elections, 726,000 account maintenance adjustments, and 1,023,000 in-year GST/HST credit account redeterminations.

Direct transfer payments under statutory programs – We issued $215 million under the Children's Special Allowances program.

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[1] Including the $816 million in entitlements to the DTC program, which are delivered through the T1 assessing process rather than as direct cash payments, the total amount of benefits and credits issued is $18.4 billion.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Benefit recipients have access to timely and accurate information	**2009-2010**	**Met**	**Good**
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Percentage of CCTB calls answered within two minutes of entering the agent queue	75%	76%	75%	78.3%	78%	74.9%	✓
Percentage of CCTB callers who reach our telephone service[1]	90%	77%	80%	87.1%	94%	91.8%	✓
Percentage of GST/HST credit callers who reach our telephone service[2]	90%	74%	77%	83.2%	92.8%	90.7%	✓

[1] The caller accessibility target for CCTB callers was raised from 80% in 2008-2009.

[2] There was no target for GST/HST credit callers before 2008-2009.

Expected Result	Year	Performance Rating	Data Quality
Eligibility determination and payment processing are timely and accurate	**2009-2010**	**Met**	**Good**
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Percentage of benefit applications and marital status change forms processed on time	98%	99.4%	99%	99.1%	97.4%	98.8%	✓
Percentage of CCTB accounts adjusted that were targeted under validation programs	50%	62.3%	61.4%	65.6%	58.8%	53.5%	✓
Percentage of accurate payments when processing benefit applications and marital status change forms	98%	99.5%	99.7%	98.9%	99.2%	99.4%	✓
Percentage of accurate payments when processing account maintenance adjustments	98%	99.7%	98.5%	98.4%	98.8%	100%	✓

✓ Met	☑ Mostly Met	✗ Not Met
n/a Not Available	N/A Not Applicable	

THE CRA BOARD OF MANAGEMENT

Left to right bottom: James J. Hewitt, Sylvie Tessier, Myles Bourke, Susan J. McArthur, Linda Lizotte-MacPherson, Camille Belliveau, James R. Nininger
Left to right top: Gordon Gillis, Fauzia Lalani, Gerard Fitzpatrick, John Firth, Raymond Desrochers, Norman G. Halldorson (Missing from photo: Robert J. (Bob) Healey, André Gingras)

Our goal

The Board's goal is to ensure that the Canada Revenue Agency (CRA) has a robust strategic framework to support its ongoing success, and that sound management, monitoring and reporting practices are in place.

Our outcome

Our collaboration with CRA management in 2009-2010 enhanced the effectiveness and efficiency of the CRA and the Board, thereby maintaining the CRA's reputation as a leader and innovator in management practices in Canada's public service and ensuring the CRA is a responsive, effective and trusted tax and benefits administration.

CRA and Board challenges

Some of the challenges the CRA and the Board faced during 2009-2010 were:

- **Economic environment** – The CRA faced the ongoing challenges posed by the economic environment and its associated budgetary restrictions, while continuing to deliver high-quality tax and benefit services on behalf of governments across Canada.
- **IT sustainability** – To meet the challenges of managing complex, mission-critical systems, the CRA strengthened its IT responsiveness and sustainability to support both new and ongoing business requirements.
- **Demographic trends** – With the impending retirement of many employees, the CRA has continued to address the dual challenge of transferring knowledge before it disappears, and of attracting, retaining, and developing talent in an increasingly competitive labour market.

In addition, strengthening CRA services continued to be an important matter for the Board in 2009-2010. The CRA is the public organization that touches the largest number of Canadians; it therefore needs to commit to providing timely, accessible, and effective services to taxpayers and benefit recipients.

Overview

The *Canada Revenue Agency Act* provides for the establishment of a Board of Management consisting of 15 directors appointed by the Governor in Council. Under the provisions of the Act, the Board oversees the organization and administration of the CRA, including overseeing the management of its resources, services, property, personnel, and contracts. In fulfilling this role, the Board brings a forward-looking strategic perspective to the CRA's operations, fosters sound management practices, and is committed to efficient and effective service delivery.

The development and ongoing enhancements to the Board of Management Oversight Framework (BoMOF) has helped to ensure that the Board is able to monitor the CRA's performance. In this regard, the Board has been key in providing Canadians with the assurance that the CRA is a responsive, effective, and trusted tax and benefits administration.

The Board's membership is outlined in Schedule A.

Priorities and accomplishments for 2009-2010

The following pages describe the Board's most significant priorities for 2009-2010, along with its accomplishments. Additional information regarding the CRA's accomplishments in many of these priority areas can be found under Agency Governance – Management Results.

Organization of the CRA (governance and accountability)

Priority in our *Corporate Business Plan 2009-2010 to 2011-2012*: To ensure that the CRA has an appropriate, robust internal accountability structure.

A key element in fulfilling its responsibilities in this area is for the Board to set performance objectives for the Commissioner at the beginning of each year and to assess performance at the end of the year. This practice, which began four years ago, complements the federal government's performance assessment process for deputy heads.

In 2009-2010 the Board's key objectives for the Commissioner of the CRA included the following: continue to strengthen the BoMOF; ensure that risks in the CRA are properly managed and integrated in all CRA decision-making processes; continue to improve financial systems and processes to sustain a rigorous environment of financial stewardship; oversee major information technology initiatives; oversee the implementation of the CRA Service Strategy; and build and sustain a highly skilled workforce.

In 2009-2010 the Board assessed performance for both Commissioner William Baker upon his departure and Commissioner Linda Lizotte-MacPherson for her first six months as the head of the CRA.

As was the case for previous years, the Board also provided input into the performance objectives and assessments of both the CRA's Chief Financial Officer and Chief Audit Executive. Moreover, to further ensure that the accountabilities of executives are aligned with CRA priorities and Board objectives, in 2009-2010 the Board began providing input into the performance agreements and assessments of additional CRA senior executives

To further ensure that the accountabilities of executives are aligned with CRA priorities and Board objectives, in 2009-2010 the Board began providing input into the performance agreements and assessments of additional CRA senior executives whose responsibilities relate to the Board's oversight responsibilities.

whose responsibilities relate to the Board's oversight responsibilities. These executives included the CRA's Chief Information Officer, the Assistant Commissioner of the Human Resources Branch, and the Assistant Commissioner of the Corporate Strategies and Business Development Branch.

Administration of the CRA

Priority in our *Corporate Business Plan 2009-2010 to 2011-2012*: To ensure that the CRA follows appropriate processes for a sound overall administration.

CRA strategy and strategic planning

The Board played an important oversight role in ensuring that the CRA focuses on long-term planning, and that strategy in the CRA is appropriately and effectively aligned with Agency risks and strategic investments. In this regard, the Board oversaw the introduction of a formal Strategic Investment Plan for the CRA and was engaged in developing the *Corporate Business Plan 2010-2011 to 2012-2013*. The Board was also involved in approving individual strategies and monitoring their implementation.

Board of Management Oversight Framework

In 2007-2008 the Board and CRA developed and introduced the BoMOF to enable the Board to measure and monitor CRA performance in those areas that fall under the Board's purview. The BoMOF complements the Management Accountability Framework assessment conducted by the Treasury Board of Canada Secretariat. Both of these tools ensure that the CRA is effectively meeting its responsibilities based on a rigorous and evidence-based assessment.

Since the inception of the BoMOF, the Board and CRA management have enhanced the Framework to make it more robust, transparent, and quantifiable. Changes to the BoMOF in 2009 included an increased focus on questions about performance results of management processes and systems. The Board is proud to report that the assessment of the CRA revealed very positive results for 2009-2010; of the 18 expectations assessed, the CRA was rated "strong" for 14 expectations and "acceptable" for four.

Since the inception of the BoMOF, the Board and CRA management have enhanced the Framework to make it more robust, transparent and quantifiable.

Enterprise Risk Management

In 2009-2010, the Board reviewed the CRA's updated Corporate Risk Inventory for 2009, as well as the action plan describing the response strategies to address the risks identified. In addition, the Board monitored the implementation of the risk management program, which included reviewing the Status Report of the 2007 Risk Action Plan and ensuring that CRA risks formed an integral part of the organization's strategic planning exercise.

Furthermore, in its efforts to ensure that the CRA has a robust risk management regime, the Board reviewed the role of boards in enterprise risk management during its Strategic Planning Meeting in November 2009. The Board reaffirmed that its three essential risk governance roles are risk direction, risk oversight, and risk control. Finally, with the Board's support, the CRA established a dedicated Chief Risk Officer position at the Assistant Commissioner level, to report directly to the Commissioner, with responsibility for regular reporting to the Board of Management; this is the first such position in the federal public service.

Management of resources

Priority in our *Corporate Business Plan 2009-2010 to 2011-2012*: To ensure that the CRA has, and follows, the appropriate control framework for managing its resources.

Each year, the Board fulfils its fiduciary oversight responsibilities by reviewing and monitoring the CRA's planned allocation of resources, performance, and spending, including approving the CRA's financial statements and major investment projects.

Strategic investment plan and major project oversight

The Board was also actively involved in the oversight and monitoring of major projects, such as the Data Centre Co-location Initiative.

The Board oversaw the introduction of the CRA's first multi-year strategic investment plan, which provides CRA senior management with the information needed to identify investment priorities and funding strategies. The Board was also actively involved in overseeing and monitoring major projects, such as Provincial Sales Tax Administration Reform for Ontario and British Columbia. Implementing the harmonized sales tax in Ontario and British Columbia is the most significant tax harmonization effort undertaken by the CRA since the implementation of the Corporate Tax Administration for Ontario in 2007-2008. Harmonization involved developing human resources agreements for both provinces to manage the transfer of provincial employees to the CRA, and entailed a significant number of system changes and adjustments to CRA activities.

Information technology

Information technology is a key element of almost everything the CRA undertakes; therefore, it continues to be an important area of Board oversight. In 2009-2010, the Board closely reviewed the CRA's Infrastructure Investment Plan to ensure the CRA's information technology systems and architecture are sustainable. Of particular interest to the Board was the Data Centre Co-location Initiative: the Board regularly monitored all aspects of the work surrounding the CRA's efforts to secure Data Centre co-location services with Public Works and Government Services Canada and the Bank of Canada.

Financial accountability initiatives

The Board oversaw a number of initiatives designed to strengthen financial accountability at the CRA. These included monitoring the development of the Certification Process by the Commissioner/Chief Executive Officer and the Chief Financial Officer with respect to the CRA's internal controls over financial reporting, enhancing internal controls over financial reporting to the provinces and territories under the tax collection agreements, and refining the CRA's Financial Monitoring Framework, which entailed the Board's approval of the CRA Policy Framework for Financial Management and Corporate Finance.

Management of services

Priority in our *Corporate Business Plan 2009-2010 to 2011-2012*: To ensure that the CRA has established a sound management framework for the services it delivers.

CRA service agenda

Strengthening CRA services continued to be an important matter for the Board in 2009-2010. Although the CRA is recognized as a leader in service delivery in the federal government, the Board's Strategic Planning Meeting of November 2009 focused on what a recognized service leader would look like in five to ten years, and examined avenues for the CRA to explore in the future. The Board plans to continue discussions on service improvements at its 2010-2011 Strategic Planning Meeting, in the context of evolving social media and the ever-increasing need for electronic services.

Strengthening CRA services continued to be an important matter for the Board in 2009-2010.

Monitoring the CRA's service complaint system

Throughout 2009-2010, the Board monitored the CRA's service complaints system, a three-tier process beginning with the local Tax Services Office, followed by the CRA Service Complaints Program, and culminating in complaints that are forwarded to the Taxpayers' Ombudsman's Office. To this end, the Board reviewed the CRA's second annual report on service complaints. The Taxpayers' Ombudsman presented his first annual report to the Board in December 2009. Since that time, the Board has continued to receive regular updates on the CRA's response to the issues and recommendations raised by the Ombudsman.

Management of personnel

Priority in our *Corporate Business Plan 2009-2010 to 2011-2012*: To ensure that the CRA has a human resources management regime that is sustainable and an integrated approach to address its human resources needs.

Succession planning

In 2009-2010, the CRA witnessed significant movement in its senior executive ranks, including the arrival of a new Commissioner and Deputy Commissioner and the appointments of a number of Assistant Commissioners and Deputy Assistant Commissioners. The Board closely monitored the CRA's succession planning strategies and provided input into the policies and tools necessary to attract, hire, develop, and retain talented employees, placing particular interest in Executive Cadre succession planning.

The Board closely monitored the CRA's succession planning strategies and provided input into the policies and tools necessary to attract, hire, develop, and retain talented employees.

Integration of human resources planning and business planning

The Board monitored the ongoing integration of human resources planning with the CRA's business planning, as evidenced in the evolving Agency Workforce Plan. The *Agency Workforce Plan 2009-2010 to 2011-2012* built on the existing human resources management regime and aligned it to the Corporate Business Plan's strategic outcomes with specific human resources strategies and objectives.

Implementation of end-state pre-qualification processes

In an effort to streamline staffing processes, the CRA migrated to end-state pre-qualification processes (PQP) on April 1, 2010. End-state PQP was a fundamental step in advancing the CRA's competency-based human resources regime. To this end, throughout the year, the Board received regular updates on the progress of implementing end-state PQP. The initiative has significantly reduced the time it takes to staff.

The implementation of end-state pre-qualification processes has significantly reduced the time it takes to staff.

Collective agreement with the Professional Institute of the Public Service of Canada

The Board closely monitored contract negotiations with the Professional Institute of the Public Service of Canada (PIPSC). The successful outcome of the contract negotiations represented an example of the CRA's willingness to move forward and work together with PIPSC to resolve issues through interest-based discussions.

Board governance

Priority in our *Corporate Business Plan 2009-2010 to 2011-2012*: To enhance the Board's own governance with the aim of becoming a board recognized for its best practices.

Board governance and practices

As part of its ongoing commitment to enhance its governance and increase the effectiveness and efficiency of its operating practices, the Board established an ad hoc committee to review board process and agenda content in early 2010. The committee began to examine all aspects of the Board's operations with a view to ensuring that the use of the Board's time, as well as that of CRA senior management, is most effectively optimized to focus more effort on strategic and risk discussions.

The full-scale 2009 evaluation of the CRA's Board for the first time included input from members of the CRA's senior executive team on the Board's performance and effectiveness.

Board evaluation

In 2009, the Board conducted its third board evaluation in as many years. Ongoing evaluations of a board's performance are an effective means of assessing how well a board is functioning and carrying out its mandate. The full-scale 2009 evaluation of the CRA's Board for the first time included input from members of the CRA's senior executive team on the Board's performance and effectiveness. Overall results were very positive and an action plan was put in place to address areas identified for improvement.

Board appointments and director orientation

The Board experienced a significant turnover of directors in 2009-2010. A new Chair was appointed, new members from Prince Edward Island and Yukon Territory were welcomed, the director from Quebec, Mr. André Gingras, departed, and another, Mr. Robert Healey from Newfoundland and Labrador, sadly passed away. Customized orientation programs had to be developed to meet the needs of incoming directors in a timely manner.

Board secure online portal

In 2009-2010, the Board implemented its new, secure online board portal. Board members had explored many options for an online portal that would allow secure communications among directors and CRA management, and facilitate the paperless distribution of Board documents. The portal made it easier for the Board to conduct its business, increased Board effectiveness and efficiency, and promoted business sustainability. Adopting the portal marks a significant development in the ongoing enhancement of the Board's governance practices.

MANAGEMENT RESULTS

The CRA delivers high-quality tax, benefit, and related services on behalf of governments across Canada. In support of our two strategic themes, our human resources, information technology, and other management areas that work across the CRA must be fully integrated to ensure that our tax and benefit services have the guidance, infrastructure, and resources needed for successful delivery.

> **"I firmly believe the success of an organization lies in the strength of its employees, and am very aware that CRA employees have the reputation of serving Canadians with unparalleled dedication."**
>
> — Linda Lizotte-MacPherson
> Commissioner and Chief Executive Officer

Our goal

In 2009-2010, our goal was to ensure that we had in place the modern and innovative management practices and sound infrastructure necessary to sustain the high-quality tax, benefit, and related services we deliver on behalf of governments across Canada.

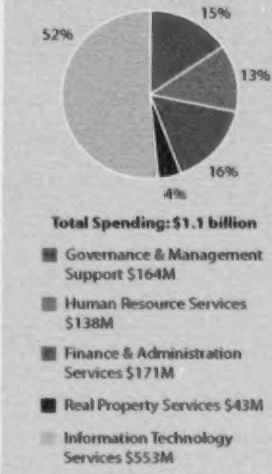
Our outcome

In 2009-2010, we delivered on our management priorities through timely and responsive decision-making, a fully accountable senior management culture, streamlined management policies and practices, and improved planning and reporting.

Our challenge

In 2009-2010, our challenge was to make the best use of all available resources, from human resources capacity and capability to information technology sustainability and responsiveness, to support new and ongoing business needs, and cope with the shifting landscape in which the CRA operates.

Spending Profile



* Percentages may not add up to 100% due to rounding

(in thousands of $)

Total Authorities 2009-2010
$1,156,451

Actual Spending 2009-2010
$1,068,803
(24.3% of CRA's expenditures)

Variance
$87,648

Full-Time Equivalents 2009-2010
9,010

MANAGEMENT OVERSIGHT

In 1999, the *Canada Revenue Agency Act* established a unique governance structure for the CRA. This structure encompasses a direct, legislated relationship between the Minister of National Revenue and the Board of Management, as well as specific, legislated roles and responsibilities for each.

> **"Once again, the Canada Revenue Agency has achieved commendable results."**
>
> Treasury Board Secretariat Management Accountability Framework Assessment 2009-2010

To ensure that we are effectively meeting our responsibilities for accountability, we use two complementary tools: the Management Accountability Framework (MAF) assessment conducted by the Treasury Board of Canada Secretariat (TBS) and the Board of Management Oversight Framework (BoMOF) assessment conducted by our own Board of Management. Together, the two assessment tools provide a complete evaluation of the CRA's management performance.

Our 2009-2010 MAF assessment was very positive. Of the 11 indicators, we received 7 "strong" and 4 "acceptable." A notable achievement is the progress we made in the area of information management, which received a rating of "acceptable" in 2009-2010 compared with "opportunity for improvement" in 2008-2009.

In 2009-2010, our Board of Management conducted the third BoMOF assessment and the results were positive. Out of the 18 indicators, we received 14 "strong" and 4 "acceptable." However, our Service Redress Mechanism received a lower rating this year (from "strong" to "acceptable"). The lower rating is consistent with Budget 2010, which commits the CRA to undertake a review of the Service Complaints Program with a view to making it more visible and accessible to taxpayers.

Summary of MAF and BoMOF Assessment Ratings–CRA Results

Two-year Comparison by Assessment Ratings

Assessment Rating	MAF 2008-2009	MAF 2009-2010	BoMOF 2008-2009	BoMOF 2009-2010[1]
Strong	7	7	17	14
Acceptable	3	4	4	4
Opportunity for Improvement	1	0	0	0
Attention Required	0	0	0	0
Total Areas of Management/ Expectations Assessed	11	11	21	18

[1] Streamlining the previous year's expectations resulted in fewer expectations being assessed in 2009-2010.

> **"Following completion of the strategic investment plan (SIP), the Board is assured that strong links exist between the corporate business plan, the SIP, and individual investment decisions."**
>
> BoMOF Assessment 2009-2010

The positive results of these assessments provide Canadians with assurance that the CRA is actively engaged in pursuing management excellence. A full report card of the MAF and the BoMOF assessments is at the end of this section.

2009-2010 priority initiatives

The CRA is widely recognized as a highly efficient and robust organization entrusted with administering many of the Government of Canada's critical income tax and income redistribution policies. Business sustainability is the key driver in identifying the CRA's priorities, ensuring that our tax and benefit services have the guidance, infrastructure, and resources necessary for successful delivery. We are making significant strategic enhancements to the following areas of management.

Human resources capacity and capability

Effective people management was a key leadership priority at the CRA during 2009-2010. We implemented our *Agency Workforce Plan 2009-2010 to 2011-2012*, which outlines the human resources initiatives that we will pursue over three years. The workforce plan is a key element of our planning strategy and has three distinct themes:

- knowledge transfer and succession planning;
- managing employees' careers and development and managing change; and
- strategic recruitment and faster staffing time.

This year, progress was made to integrate the management of our workforce along with these themes to support our business objectives and respond to changing environmental conditions.

"In the area of recruitment, departments and agencies are taking a more strategic and coordinated approach, building on their integrated business and human resources plans."

Wayne G. Wouters
Clerk of the Privy Council and Secretary to the Cabinet

Knowledge transfer and succession planning

Many employees with valuable corporate knowledge are in a position to retire within the next few years and their departure will pose a challenge in terms of the potential loss of experience and expertise.

The CRA developed and published guidelines to help managers with succession planning. During 2009-2010, progress was made in identifying the key jobs within the CRA for which knowledge transfer strategies will need to be developed to lessen the risk of corporate knowledge loss in certain areas. Furthermore, specific products, such as the Job Shadowing Toolkit and Community of Practice, were developed to facilitate the transfer of knowledge.

In addition, we offered a new three-day Management Challenge workshop (Continuing Development Program for Experienced Managers) as part of the Management Learning Program. It contributes to knowledge transfer by allowing executives and senior managers to provide coaching and feedback to managers.

Managing employees' careers and development and managing change

Investing in employee development continues to be one of the CRA's commitments. In 2009-2010, to complement the CRA Learning Policy, a directive and procedures were developed to strengthen the planning, evaluation, and alignment of learning investments with CRA objectives. In addition, through career discussions with their managers, employees identify learning needs related to current work and future career objectives. In 2009-2010, 96% of employees had completed Individual Learning Plans, exceeding the results from last year of 94.5% and our target of 90%.

We remain committed to continuous learning in order to maintain a highly skilled, capable workforce and to promote excellence in the workplace. In 2009-2010, we invested about $146.2 million on learning, with an average of 9.4 days of training per employee. We also increased the intake of new participants in Management Development Programs from 54 in 2008-2009 to 66 in 2009-2010, surpassing our annual commitment of 65.

"I am proud to have been given the opportunity to witness the professional and dedicated employees of the Canada Revenue Agency."

Keith Ashfield
Minister of National Revenue

Strategic recruitment and faster staffing time

As part of our commitment to program and workplace excellence, we continue to identify opportunities to strengthen and streamline our staffing and recruitment processes. We took important and fundamental steps toward advancing our Competency Based Human Resources Management regime in 2009-2010, including the continued use of mandatory pre-qualified processes (PQPs) and the migration to End-State PQPs project. End-State PQPs require employees to have base competency levels as pre requisites before applying on a selection process. Initial results indicate that the time to staff positions was reduced from 185 days to less than 100 days.

We recruited 298 post-secondary graduates, exceeding our commitment of 275. We also increased our recruitment rate for permanent employees to 8.6% (2,975) from 7.5% (2,544) from the previous year.

Post-secondary graduates appointed to permanent positions	2008-2009	2009-2010
Target	300	275
Actual	361	298
% of actual self-identified as visible minorities	25%	26%

Our achievements during 2009-2010 contribute to having talented employees with the competencies best suited to our current and future business requirements.

Information technology responsiveness and sustainability

Priority: Deliver responsive information technology services and solutions in support of our mandate.

Achievement: In 2009-2010, we dedicated significant resources to prepare our systems for the 2010 Olympics.

Information technology (IT) is a fundamental element of the CRA's capacity to deliver its programs and services to Canadians. To maintain this capacity, we work diligently to ensure that our systems and infrastructure are robust, secure, reliable, and recoverable. In 2009-2010, we pursued several priorities to invest proper resources in renewing our applications in order to meet growing business needs and achieve long-term sustainability. Notably, in 2009-2010 we enhanced our Application Sustainability Program, which allows us to consistently assess and manage the sustainability risk of applications as they age, so that we continue to meet current and future business needs. Enhancements such as these, coupled with the implementation of our multi-year Managed Distributed Environment Program, addressed shortcomings in our computing environment.

Among our key IT objectives is the ongoing development of effective technological solutions that support our core business priorities. In 2009-2010 we successfully implemented the Corporate Tax Administration for Ontario, Enterprise Content Management, Integrated Revenue Collections, and the Compliance Systems Redesign projects to meet evolving CRA business requirements.

The CRA's online services continue to gain popularity. In October 2009 we replaced older technology, resulting in significant improvements in system capacity and application stability. This technology will enable us to continue to provide Canadian citizens and businesses with high-level service for Web-based applications. In addition, we implemented environmental upgrades at the CRA's data centres, while ensuring recoverability efforts continue to meet business requirements for all CRA systems.

During the year, we maintained high levels of availability for the multiple national CRA and Canada Border Services Agency (CBSA) systems, while meeting the challenges of safeguarding our IT assets from accidental or deliberate security threats. We also worked with the CBSA to ensure that our shared IT services relationship, the largest within the Government of Canada, continues to be cost effective for the Government, and we are committed to continuing in this relationship for the foreseeable future. In 2009, we completed an external review of the IT services the CRA provides to the CBSA, and measures have been initiated to strengthen the partnership.

In October 2009, we received two awards from the Government Technology Exhibition and Conference for our information technology achievements. Our IT strategy focuses on our commitment to sustain and improve our performance by strengthening the governance of our IT investments and implementing best practices for risk management.

> **"The organization has made significant progress in the past year towards an integrated Information Technology Plan."**
>
> TBS MAF Assessment 2009-2010

Secure management of information

The CRA devotes considerable resources and attention to protecting the vast amount of information that individual taxpayers, benefit recipients, businesses, and trusts provide to us. In support of this priority, and to enhance the controls already in place to prevent the inappropriate access and disclosure of information, the CRA began to develop an Identity and Access Management program. We also pursued the modernization of the National Audit Trail System to identify unauthorized access to taxpayer information, and the development of a comprehensive internal fraud control program. These three initiatives will give Canadians further assurance that their information is well protected.

Priority: Information integrity and data quality

Achievement: In 2009-2010 we implemented a data stewardship program.

In addition, over the past year, we further advanced our vulnerability assessment and management capabilities by deploying anti-spyware technology to all CRA workstations.

The availability of high-quality, authoritative information to decision-makers supports the delivery of programs and services, which then makes the CRA more responsive and accountable to Canadians. During 2009-2010, we developed the CRA Information Management Strategy 2010-2011 to 2012-2013. Developed in consideration of program and service information requirements, as well as legislation and policies governing the management of information, the strategy identifies areas where the CRA's information management practices are less mature and sets a collaborative change agenda across the CRA to address those areas.

By achieving the strategy's objectives, the CRA will ensure its information management practices effectively and efficiently support current needs, allow us to align with Government of Canada directions for record keeping to support accountable and transparent decision-making, and position the CRA to meet emerging challenges, such as gathering electronic information in response to litigation.

Enterprise risk management

Our Enterprise Risk Management Program was created to ensure that we develop and implement a systematic and comprehensive approach to managing risks that is fully integrated into our strategic, operational, and financial decision-making processes and mechanisms.

To keep abreast of the risks the CRA faces as an organization, during the planning period, we completed our Corporate Risk Inventory 2009, an integral part our annual strategic planning exercise. The five key priorities of the *Corporate Business Plan 2010-2011 to 2012-2013* were based on the highest CRA risks identified in the 2009 inventory (related to payment compliance and the underground economy). A CRA risk action plan was also developed to ensure that we have appropriate response strategies for all the risks identified in the inventory. In this way, the 2009 risk inventory guided the strategic and operational business priorities for the 2010-2011 planning period and led us to integrate risk management in our day-to-day business.

An update to the Corporate Risk Inventory 2009 was also initiated in early 2010. The update indicated that the overall risk profile of the CRA remains generally unchanged from 2009.

We believe that our approach to risk management will help us maintain services to the Canadian public and protect their interests.

> **"CRA should be recognized for the work it has done to maintain a "Strong" rating in the area of Effectiveness of Corporate Risk Management."**
>
> TBS MAF Assessment 2009-2010

Sound comptrollership

Effective resource management requires that our resource base be applied optimally, aligning investments with the strategic direction and priorities of the organization. In 2009-2010, to promote the efficient and effective use of financial resources, we improved our financial systems and processes, and the linkages between our resources and the results we achieved.

> Following a comprehensive review of our program spending and as part of the CRA Strategic Review, in 2009-2010 we met our commitment and reduced program budgets by $14.3 million.

The CRA implemented its first multi-year strategic investment plan, supported by a documented project portfolio management approach. Through the investment plan and its underlying long-range approach, senior management was given information to determine the investment priorities and funding strategies needed to sustain our applications and assets so we can deliver key services to Canadians. The spring 2010 report of the Auditor General of Canada on aging information technology systems reflected positively on the CRA's achievements with respect to strategic investment planning. It noted that the Agency Management Committee regularly reviewed investment projects to ensure resources are allocated to the CRA's highest priorities.

In response to the Government's direction and approach, as expressed by Treasury Board Policy, we made progress in developing the Financial Resource Management, Information and Reporting Policy, and associated directives. By building on existing tools and guidance, these policy instruments reaffirm the importance of sound financial resource management as achieved through effective planning, budgeting, and reporting, as well as clearly defining the roles, responsibilities, and accountabilities of resource management stakeholders. They also address Canadians' expectations that the CRA use public funds in a prudent, efficient, and economic manner.

In support of the statement on internal controls that deputy heads and chief financial officers must sign under the new Treasury Board Policy on Internal Control, we completed an assessment of our entity-level controls that helps ensure that our financial reporting to stakeholders is accurate and reliable.

Communication

Effective communications enable the CRA to inform Canadians about tax, benefit, and related services and play a critical role in the CRA's overall approach to compliance.

The CRA implemented two advertising campaigns during the past fiscal year: one promoting the Home Renovation Tax Credit (HRTC) from mid-July to mid-November 2009, and one promoting tax relief measures (TRM) from mid-January to late March 2010.

The HRTC campaign was intended to raise awareness about the tax credit and it featured a partnership program in addition to paid mass advertising. This program consisted of point-of-sale displays and HRTC receipt envelopes in the stores of nine major national retail chains that sold home renovation products. Visibility for the ad campaign and its partnership program was so high that an additional 60 chains and individual retailers contacted the CRA to receive partnership materials to display in their stores.

The TRM campaign was intended to raise awareness about the wide range of credits and benefits available to Canadians when they file their tax returns. An evaluation conducted after the TRM ad campaign found that 39% of respondents recalled seeing the advertising. Of those who saw it, 20% conducted home improvements/renovations, 16% applied for the home renovation tax credit, and 14% went online to get more information.

In addition, the first YouTube contest "The Underground Economy: Not your problem?" was launched in 2009 and invited Canadians to create short videos about the negative consequences of participating in, or supporting, the underground economy. By tapping into social networks, the CRA is educating as broad a demographic as possible about non-compliance.

Conclusion

During the past year, we delivered on our management priorities through our strong performance, timely and responsive decision-making, improved planning and reporting, and a fully accountable senior management culture. We believe that, based on our achievements this past year and the steps we took to strengthen our management infrastructure, we have supported our strategic outcomes for administering Canada's tax laws and for delivering benefits.

Board of Management Oversight Framework and Management Accountability Framework

Our Results (two-year comparison)

Board of Management Oversight Framework – Assessment of Performance

	2008-2009	2009-2010	Trend		2008-2009	2009-2010	Trend
Administration of the Agency				Information Technology – Security	N/A	ST	✕
Enterprise Risk Management	ST	ST	=	**Management of Services**			
Program Evaluation	AC	AC	=	Service Strategy	AC	AC	=
Internal Audit	ST	ST	=	Service Performance Measurement	AC	AC	=
Sustainable Development	ST	ST	=	Service Redress Mechanism	ST	AC	↘
Management of Resources				**Management of Personnel**			
Financial Management	ST	ST	=	Recruit and Retain the Right Talent	ST	ST	=
Project Management	AC	ST	↗	CRA Values and Ethics	ST	ST	=
Asset Management	ST	ST	=	Learning	ST	ST	=
Procurement Management	ST	ST	=	Workplace Practices	ST	ST	=
Information Technology Management	ST	ST	=	**Organization of the Agency**			
				Internal Accountability Structure	ST	ST	=

Management Accountability Framework – Assessment of Performance

	2008-2009	2009-2010	Trend		2008-2009	2009-2010	Trend
Corporate Performance Framework	ST	ST	=	Information Management	OI	AC	↗
Organizational Contribution to Government-Wide Priorities	ST	ST	=	Financial Management and Control	AC	AC	=
Quality of Treasury Board Submissions	AC	AC	=	Security and Business Continuity	ST	ST	=
Performance Reporting	ST	ST	=	Citizen-Focused Service	AC	N/A	✕
Corporate Risk Management	ST	ST	=	Information Technology Management	ST	ST	=
Corporate Management Structure	ST	ST	=				

N/A Not Applicable	ST Strong	AC Acceptable	OI Opportunity for Improvement	AR Attention Required	↗ Upward Trend	= No Change	↘ Downward Trend	✕ Unable to Compare

Schedules

Table of Contents

Schedule A – The CRA Governance Structure 111

Schedule B – Other Items of Interest 115

Schedule C – Service Standards at the CRA – Overall Results 123

Schedule D – Web Links for Additional Information 131

Schedule E – Glossary 133

Schedule F – Acronyms and Abbreviations 135

SCHEDULE A – THE CRA GOVERNANCE STRUCTURE

BOARD MEMBERSHIP

The Board of Management of the Canada Revenue Agency (CRA) comprises 15 members appointed by the Governor in Council. They include the Chair, the Commissioner and Chief Executive Officer, a director nominated by each province, one director nominated by the territories, and two directors nominated by the federal government. Members of the Board bring private and public sector perspectives and business approaches to management and, in this regard, champion a significant agenda for change within the CRA.

The following list shows the Board membership as of March 31, 2010.[7]

Susan J. McArthur
Chair, Board of Management
Managing Director
Jacob Securities Inc.
Toronto, Ontario

Camille Belliveau, CFP, FCGA
Executive Director
Groupe EPR Canada Group Inc.
Shediac, New Brunswick

Myles Bourke, BCom, FCA
Corporate Director
Chartered Accountant
Lethbridge, Alberta

Raymond Desrochers, BCom, CA, CFE
Partner
BDO Dunwoody LLP
Chartered Accountants
Winnipeg, Manitoba

John V. Firth, BFA, EPC
Financial Advisor
Whitehorse, Yukon Territory

Gerard J. Fitzpatrick, FCA, TEP
Partner
Fitzpatrick & Company
Chartered Accountants
Charlottetown, Prince Edward Island

Gordon Gillis, BA, LLB
Corporate Director
Dartmouth, Nova Scotia

Norman G. Halldorson, BCom, FCA
Corporate Director
Clavet, Saskatchewan

James J. Hewitt, FCMA
Corporate Director
Penticton, British Columbia

Fauzia Lalani, PEng
Executive Consultant
Calgary, Alberta

James R. Nininger, BCom, MBA, PhD
Corporate Director
Ottawa, Ontario

Sylvie Tessier, PEng, MBA, ICD.D
Director of Professional Services
Hewlett Packard
Toronto, Ontario

Linda Lizotte-MacPherson, BCom
Commissioner and
Chief Executive Officer
Canada Revenue Agency
Ottawa, Ontario

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[7] As of March 31, 2010, two positions on the Board were vacant.

COMMITTEE MEMBERSHIP AND DIRECTOR PARTICIPATION

The Board of Management is supported by four committees that undertake much of the detailed review of items brought before the Board for the Board's consideration. In December 2008, the Board designated responsibility to review and approve, each year, the Board of Management Oversight Framework (BoMOF) and the BoMOF performance assessment of the Agency, to a new sub-committee.

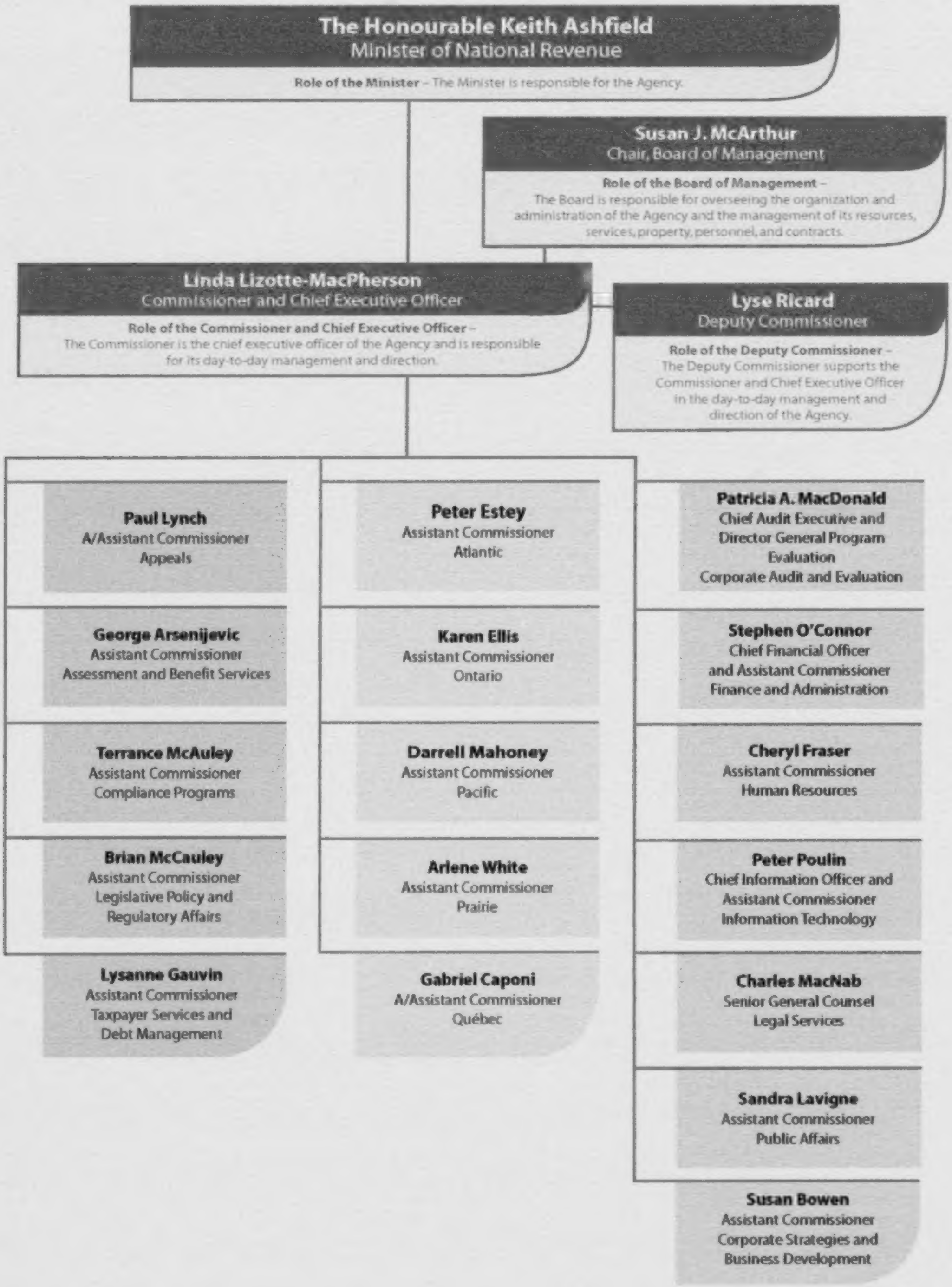
The following table shows the membership of each committee over the course of the fiscal year, as well as directors' committee attendance. The rates of pay of Governor in Council appointees are also provided.

Board Members	Board of Management[1] (11 meetings)	Audit Committee (6 meetings)	Governance Committee (4 meetings)	Human Resources Committee (4 meetings)	Resources Committee (4 meetings)	BoMOF Sub-committee (3 meetings)
Board Members present throughout the fiscal year						
Camille Belliveau	10/11		4/4		4/4	
Myles Bourke	11/11	6/6				3/3
Raymond Desrochers	8/11	6/6				
Gordon Gillis	11/11			4/4		3/3
Norm Halldorson	11/11	6/6				
Jim Hewitt	11/11		4/4		4/4	
Fauzia Lalani	11/11			2/2	4/4	
Jim Nininger	11/11		4/4	4/4		3/3
Sylvie Tessier	11/11	2/2	1/1		4/4	3/3
Board Members who joined during the fiscal year						
John Firth	5/5			1/1		
Gerard Fitzpatrick	7/7	2/2				
Linda Lizotte-MacPherson	6/6	2/2	2/2	2/2	2/2	2/2
Susan McArthur	8/8	4/4	3/3	3/3	3/3	2/2
Board Members who departed during the fiscal year						
William Baker	5/5	4/4	2/2	2/2	2/2	1/1
André Gingras	8/8				3/3	
Robert Healey	3/4	3/3				
Rod Malcolm	6/6				2/2	
Patricia Mella	4/4			1/1		
Average Attendance Per Meeting	**97%**	**100%**	**100%**	**100%**	**100%**	**100%**

[1] Includes all meetings, teleconferences, and Annual Strategic Planning Meeting.

Governor in Council Rates of Pay		
	Per Annum Retainer	**Per Diem**
Chair	$17,000	$650
Committee Chair	$12,500	$600
Director	$8,000	$550
Source: **www.appointments-nominations.gc.ca**		

ORGANIZATIONAL STRUCTURE (AS OF MARCH 2010)



The Honourable Keith Ashfield
Minister of National Revenue

Role of the Minister – The Minister is responsible for the Agency.

Susan J. McArthur
Chair, Board of Management

Role of the Board of Management – The Board is responsible for overseeing the organization and administration of the Agency and the management of its resources, services, property, personnel, and contracts.

Linda Lizotte-MacPherson
Commissioner and Chief Executive Officer

Role of the Commissioner and Chief Executive Officer – The Commissioner is the chief executive officer of the Agency and is responsible for its day-to-day management and direction.

Lyse Ricard
Deputy Commissioner

Role of the Deputy Commissioner – The Deputy Commissioner supports the Commissioner and Chief Executive Officer in the day-to-day management and direction of the Agency.

Paul Lynch
A/Assistant Commissioner
Appeals

George Arsenijevic
Assistant Commissioner
Assessment and Benefit Services

Terrance McAuley
Assistant Commissioner
Compliance Programs

Brian McCauley
Assistant Commissioner
Legislative Policy and
Regulatory Affairs

Lysanne Gauvin
Assistant Commissioner
Taxpayer Services and
Debt Management

Peter Estey
Assistant Commissioner
Atlantic

Karen Ellis
Assistant Commissioner
Ontario

Darrell Mahoney
Assistant Commissioner
Pacific

Arlene White
Assistant Commissioner
Prairie

Gabriel Caponi
A/Assistant Commissioner
Québec

Patricia A. MacDonald
Chief Audit Executive and
Director General Program
Evaluation
Corporate Audit and Evaluation

Stephen O'Connor
Chief Financial Officer
and Assistant Commissioner
Finance and Administration

Cheryl Fraser
Assistant Commissioner
Human Resources

Peter Poulin
Chief Information Officer and
Assistant Commissioner
Information Technology

Charles MacNab
Senior General Counsel
Legal Services

Sandra Lavigne
Assistant Commissioner
Public Affairs

Susan Bowen
Assistant Commissioner
Corporate Strategies and
Business Development

CORPORATE COMMITTEES

Six corporate committees oversee the business operations and the strategic direction of the CRA. **The Commissioner and Chief Executive Officer is the Chair of each of these committees.** The mandate and membership of these committees are outlined below.

Agency Management Committee

Mandate	The Agency Management Committee oversees program development and delivery, as well as the day-to-day business operations. This committee serves as the principal forum for deliberations on operational issues and ensures consistency and coherence in program delivery.
Membership	**Vice-Chair: The Deputy Commissioner.** Other committee members include all Assistant Commissioners, the Senior General Counsel of Legal Services, the Chief Audit Executive and Director General of Program Evaluation, Corporate Audit and Evaluation Branch, the Corporate Secretary, the Chiefs of Staff of the Commissioner and Deputy Commissioner, and the Operations Committee Coordinator.

Operations Committee

Mandate	The Operations Committee oversees the program development and delivery of the CRA's core business of tax and benefits administration and is the forum for senior discussion and management of the CRA's day-to-day business.
Membership	**Co-Chair: The Deputy Commissioner.** Other committee members include the Assistant Commissioners of the Assessment and Benefit Services Branch, the Compliance Programs Branch, the Information Technology Branch, and the Taxpayer Services and Debt Management Branch, the Assistant Commissioners from each of the five regions, the Corporate Secretary, the Chiefs of Staff of the Commissioner and Deputy Commissioner, and the Operations Committee Coordinator.

Resource and Investment Management Committee

Mandate	The Resource and Investment Management Committee establishes budget priorities and requirements in accordance with the Corporate Business Plan. This committee oversees the allocation and control of the CRA's financial resources and oversees the management and progress of major investment projects.
Membership	**Co-Chair: The Deputy Commissioner.** Other committee members include the Assistant Commissioners of the Finance and Administration Branch, Assessment and Benefit Services Branch, the Corporate Strategies and Business Development Branch, the Human Resources Branch, the Information Technology Branch, the Taxpayer Services and Debt Management Branch, the Ontario Region, as well as the Senior General Counsel of Legal Services, the Chief Audit Executive and Director General of Program Evaluation, Corporate Audit and Evaluation Branch, the Corporate Secretary, and the Chiefs of Staff of the Commissioner and Deputy Commissioner.

Strategic Directions Committee

Mandate	The Strategic Directions Committee oversees the development of the CRA's strategic direction and business development.
Membership	**Co-Chair: The Deputy Commissioner.** Other committee members include the Assistant Commissioners of the Corporate Strategies and Business Development Branch, Appeals Branch, the Assessment and Benefit Services Branch, the Compliance Programs Branch, the Information Technology Branch, the Legislative Policy and Regulatory Affairs Branch, the Public Affairs Branch, the Atlantic Region, the Pacific Region, as well as the Senior General Counsel of Legal Services, the Corporate Secretary, and the Chiefs of Staff of the Commissioner and Deputy Commissioner.

Human Resources Committee

Mandate	The Human Resources Committee provides advice and recommendations on all aspects of HR management within the CRA.
Membership	**Co-Chair: The Deputy Commissioner.** Other committee members include the Assistant Commissioners of the Human Resources Branch, the Compliance Programs Branch, the Appeals Branch, the Corporate Strategies and Business Development Branch, the Atlantic Region, the Prairie Region, the Corporate Secretary, and the Chiefs of Staff of the Commissioner and Deputy Commissioner.

Management Audit and Evaluation Committee

Mandate	The Management Audit and Evaluation Committee reviews the plans and output of the CRA's review systems to ensure appropriate follow-up to audits and evaluations.
Membership	**Co-Chair: The Chief Audit Executive and Director General of Program Evaluation, Corporate Audit and Evaluation Branch.** Other committee members include the Assistant Commissioners of the Finance and Administration Branch, the Appeals Branch, the Legislative Policy and Regulatory Affairs Branch, the Public Affairs Branch, the Quebec and Prairie Regions, as well as the Senior General Counsel of Legal Services, the Corporate Secretary, and the Chiefs of Staff of the Commissioner and Deputy Commissioner.

SCHEDULE B – OTHER ITEMS OF INTEREST

This schedule contains detailed action plans and covers sustainable development and the benefit programs and benefit-related services that the CRA delivers.

Detailed Tax Debt Management Action Plans

These plans track actions to address the recommendations of the Standing Committee on Public Accounts (PACP) and the Office of the Auditor General of Canada (OAG) regarding how the CRA collects tax debt.

Risk Management

The CRA's strategy to improve the risk management of its collections program will address the **OAG's recommendation (8.52)** that:

> **"The Canada Revenue Agency should establish a more comprehensive automated risk-scoring system for tax debts, update the risk scores on an ongoing basis, and use the risk scores to prioritize workload throughout the collections process."**

PACP Reference #2

	Specific Commitment(s) and Deliverables	Target Date	Progress
1.	Establish processes to use new **Risk Assessment Tools,** build **Risk Models and Scores,** and implement them. – Risk models will be built in 2006-2007 and are currently scheduled for release over 2007-2008 for testing. – Fully operational risk scores will be available for individual income tax accounts by March 2009.	Fiscal year 2009-2010 Release 2.0 – April 2009	COMPLETED
2.	Fully operational risk scores are scheduled for business programs by 2011.	2011	The automation of enhanced risk scoring for other revenue lines is subject to the availability of CRA funding. In 2009-2010, progress consisted of planning and preliminary feasibility proposals for business models.

File Management

The CRA's strategy to improve how it manages its collections program files will address the **OAG's recommendation (8.65)** that:

> **"The Canada Revenue Agency should minimize the number of collectors who work on each account, record their actions in a more systematic way, and improve the case management tools they have at their disposal."**

	Specific Commitment(s) and Deliverables	Target Date	Progress
1.	Improved file management capacity is scheduled for March 2009 for individual income tax collections and compliance.	December 2009	In the *Annual Report to Parliament 2008-2009*, the CRA reported IN PROGRESS AND ON TRACK improvements on file management capacity by the target date of December 2009. It was noted that when and if funding is secured for business programs lines, further improvements to file and workload management could be implemented. The CRA's response addressed three key components to improve file management capacity: streamlining specific workloads, quality assurance, and technology enhancements through the Integrated Revenue Collections project. The CRA has segregated and streamlined specialized workloads to allow them to be more completely worked by one group of collectors. Insolvency and aggressive international tax planning were segregated in 2009-2010. The CRA continues to improve quality assurance tools to monitor and improve file management at the individual and office level. Work Assessment Checklist and Onsite Quality Assurance processes were implemented.
2.	Business programs are scheduled to use the same components for improvements to file and workload management in 2011.	2011	The CRA has implemented the Accounts Receivable Platform, which provides an enhanced and user-friendly interface for collectors to manage accounts they are assigned in all four revenue lines. This file management interface allows collectors to gather and present file information quickly and more usefully, and facilitates record-keeping in multiple diaries.

Performance Reporting

The CRA's strategy to improve how it reports on the performance of its collections program will address the **OAG's recommendation (8.41)** that:

> **"The Canada Revenue Agency should significantly improve its management information to make it complete and comprehensive. It should develop reliable techniques and information sources to determine on a regular basis the results of its collection efforts and use that information to guide its decision-making for each of its major collection modes and actions."**

	Specific Commitment(s) and Deliverables	Target Date	Progress
1.	Improved performance reporting tools for individual income tax programs will be available beginning late in 2007, with fully operational reporting at the national, regional, local office, and individual officer levels scheduled for individual income tax programs by March 2009.	April 2009	COMPLETED
2.	Performance reporting tools are scheduled to be progressively implemented throughout all major business revenue lines by 2011.	2011	We have also implemented a number of research stores for the T1 revenue line that contain the information needed to analyze and research the collection actions taken on an account. Steps were also taken to develop a T1 performance reporting system. Work is underway to evaluate alternatives to accessing the performance reporting data that has been delivered.

	Specific Commitment(s) and Deliverables	Target Date	Progress
3.	The CRA will gather information on collector actions through continued enhancement of its performance measurement systems by way of the Integrated Revenue Collections project, whose first major phase is scheduled to be implemented by March 2009.	April 2009	Improvements have also been made to the legacy systems to allow for the reporting of enforcement actions taken by the collectors. The All Revenue Tables is an inventory management tool that presents a daily refreshed view of accounts and provides team leaders, managers, and assistant directors with an easier way to manage inventories. The CRA continued to undertake research to detect, observe, measure, and report on populations, actions, events, or trends that are relevant to debt management.

Debt Management Research

The CRA's strategy to improve its debt management research will address the **OAG's recommendation (8.28)** that:

> **"The Canada Revenue Agency should identify and collect the data it needs to analyze the makeup of its tax debt and to develop better collection strategies."**
>
> **(considering a variety of factors including fluctuations in the economic cycle)**

PACP Reference #4

	Specific Commitment(s) and Deliverables	Target Date	Progress
1.	**T1** Initial research model (to better understand the makeup of tax debt and the profile of debtors) is scheduled to be developed over 2006-2007 for individual income tax programs.	March 2007	COMPLETED
2.	**Business** Business program research model is scheduled to be developed in 2007, for implementation early in 2008.	April 2008	COMPLETED
3.	**T1-Enhanced** Build enhanced analytical capacity using Integrated Revenue Collections data-analysis enhancements, scheduled for 2009 for individual income tax accounts.	March 2009	COMPLETED
4.	**Business-Enhanced** Build enhanced analytical capacity using Integrated Revenue Collections data-analysis enhancements by 2011 for business programs.	2011	In 2009-2010, progress consisted of planning and preliminary feasibility proposals with respect to business programs.
5.	**Research Into Economic Indicators** Develop research approach and conduct study.	Ongoing	In 2009-2010, progress consisted of preliminary discussion and early scoping.

Outstanding 1994 OAG Recommendations

PACP Recommendation #1:

> **"That the Canada Revenue Agency develop a detailed action plan that includes timelines and performance indicators for the implementation of the outstanding recommendations contained in chapter 29 of the Auditor General's 1994 Report and submit that action plan to the Standing Committee on Public Accounts no later than 31 December 2006."**

NOTE:

- Two items involving risk-scoring and performance information have been included under Item 1.
- No further submissions to PACP will be made as our September 2006 report met the PACP requests.

	Specific Commitment(s) and Deliverables	**Target Date**	**Progress**
1.	An analysis of danger-of-loss scenarios is being conducted, and a final report will be produced by June 2007.	June 2007	COMPLETED
2.	Performance standards will be established at the collector level through a tailored addendum to the existing performance management products to be implemented for all collectors beginning September 1, 2007. These standards will include the nature and frequency of debtor contacts, time frames for resolving accounts, and the use of legal action and other methods to collect amounts outstanding.	September 2007	COMPLETED
3.	In response to the OAG's recommendation to monitor time spent by collection officers in both cash-generating and non-cash-generating activities, the CRA has already introduced more detailed time reporting on newly established specialty workflows.	COMPLETE	COMPLETED
4.	The OAG reported that satisfactory progress had been made in respect of 4 additional items recommended in 1994: – Large Debt Collections; – Ability to Pay Guidelines; – Tracking Results by Officer; and – Annual Review of Accounts.	COMPLETE	COMPLETED

Remaining PACP Recommendations

PACP Recommendation #5:

> **"That the Canada Revenue Agency report on progress on the implementation of this plan in its annual performance report, beginning with the year ending March 31, 2007."**

	Specific Commitment(s) and Deliverables	Target Date	Progress
1.	The Annual Report to Parliament will be modified to include this information.	March 2007	COMPLETED

Remaining OAG Recommendations

OAG Recommendation 8.65:

> **"The Canada Revenue Agency should minimize the number of collectors who work on each account, record their collection actions in a more systematic way, and improve the case management tools they have at their disposal."**

The CRA will undertake an initiative to identify file management inefficiencies and improve the effectiveness of collector actions on case inventories.

The CRA will build on process improvements it has made, such as the national collections call centre and national pools, to further improve its file management. More specifically, the Integrated Revenue Collections project will improve the case management tools available to perform all CRA collection activities.

	Specific Commitment(s) and Deliverables	Target Date	Progress
1.	A study of files managed by collectors will be conducted to validate the OAG observations and identify improvements to practices.	September 2007	COMPLETED

Sustainable Development

Through the CRA Sustainable Development Strategy 2007-2010, we continued to modernize the way we acquire, use, and dispose of assets. Consistent with the strategy, we realized efficiencies, while reducing the environmental impacts of our operations and programs.

Figure 16 CRA Fleet Profile

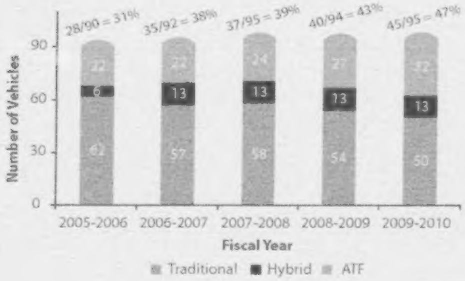
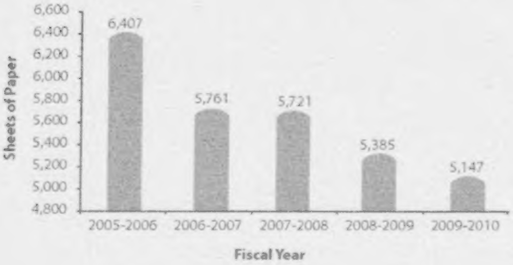


Figure 17 Sheets of Paper Purchased per CRA Employee



During 2009-2010, about 28% of the total spending on products was identified as green procurement in Synergy, the CRA's Web-based purchasing system. Eighty percent of new vehicles bought were alternative transportation fuel capable or hybrids, increasing the overall proportion of the CRA vehicle fleet considered green from 43% in 2008-2009 to 47% in 2009-2010 (see Figure 16).

We reduced our use of office paper by an additional 4.4% to 5,147 sheets per employee, exceeding our sustainable development target of 5,643 sheets (see Figure 17). This resulted in savings of about $48,000 in office paper costs.

By expanding the No Waste program to six additional CRA facilities, we have now enabled 90% of CRA employees to reduce the amount of solid waste they generate in the workplace. Audits conducted in selected facilities showed that this program helped the CRA divert 84% of solid waste from landfill. To support sustainable service delivery, we also integrated sustainable development criteria into 85% of Memorandums of Understanding and Letters of Intent between the CRA and other organizations.

Strong senior management support and effective communications encouraged employees to apply sustainable development practices in their jobs. For example, 99% of the Executive Cadre had sustainable development commitments in their performance agreements. The Sustainable Development Innovation Fund, which supports employee-driven innovations, funded an additional six initiatives across the CRA. In modernizing the systems that support sustainable development, we enhanced its Web-based performance reporting tool and updated the nine programs that manage the CRA's key environmental areas (e.g., paper, solid waste).

For more information on our sustainable development performance, please visit www.cra.gc.ca/sds.

Benefit Programs and Benefit-Related Services Delivered by the CRA

Six Federal Benefit Programs

- Canada Child Tax Benefit
- Children's Special Allowances
- Disability tax credit
- Universal Child Care Benefit[1]
- Goods and services tax / harmonized sales tax credit
- Working income tax benefit advance payments

[1] On behalf of Human Resources and Skills Development Canada

20 Ongoing Benefit Programs for Provinces and Territories

	1st Year		1st Year
British Columbia – BC Family Bonus	1996	Yukon Child Benefit	1999
Alberta Family Employment Tax Credit	1997	Nunavut Child Benefit	1999
New Brunswick Child Tax Benefit	1997	Nunavut – Territorial Worker's Supplement	1999
New Brunswick Working Income Supplement	1997	Newfoundland and Labrador Child Benefit	1999
Newfoundland and Labrador Harmonized Sales Tax Credit	1997	Newfoundland and Labrador Seniors' Benefit	1999
British Columbia – BC Earned Income Benefit	1998	Saskatchewan Low-Income Tax Credit	2000
Saskatchewan Child Benefit	1998	Newfoundland and Labrador – Mother Baby Nutrition Supplement	2001
Northwest Territories Child Benefit	1998	Ontario Child Benefit	2007
Northwest Territories – Territorial Worker's Supplement	1998	British Columbia Low Income Climate Action Tax Credit	2008
Nova Scotia Child Benefit	1998	Ontario Senior Homeowners' Property Tax Grant	2009

Nine One-Time Payment Programs

	Tax Year		Tax Year
Relief for Heating Expenses (federal)	2000	Energy Cost Benefit (federal)	2005
British Columbia – BC Energy Rebate	2001	Alberta 2005 Resource Rebate	2005
Alberta Energy Tax Refund	2001	Ontario Home Electricity Relief	2006
Ontario Taxpayer Dividend	2001	British Columbia Climate Action Dividend	2008
Nova Scotia Taxpayer Refund	2003		

61 Data Exchange and Data Transfer Services

- Thirty-five income verification data exchanges with provinces to support programs
- Five data transfers with provinces to support top-ups for CRA-administered child benefit programs
- Three data exchanges and transfers to support the new Nova Scotia Pharmacare program, the British Columbia Low Income Climate Action Tax Credit, and to assist the ministère du Revenu du Québec in administering the Quebec *Taxation Act*
- Eleven National Child Benefit Supplement data exchanges with provinces and territories to facilitate the calculation of social assistance
- Two data transfers of income and child information to support administration of the Ontario Child Care Supplement and Quebec Family Allowance programs
- Five data exchanges and data transfers to support federal administration of the EI Family Supplement, Canada Learning Bond, Additional Canada Education Savings Grant, Registered Disability Savings Plan, and Guaranteed Income Supplement

SCHEDULE C – SERVICE STANDARDS AT THE CRA – OVERALL RESULTS

ABOUT EXTERNAL SERVICE STANDARDS

In today's results-based management environment, service standards are an essential tool for managing effective, citizen-focused service delivery. The CRA's service standards are a vital and integral part of our planning, reporting, and performance management processes.

External service standards publicly state the level of performance that Canadians can reasonably expect to encounter from the CRA under normal circumstances. CRA service standards are developed based on operational realities, Canadians' expectations, historical performance, and the degree of complexity of the work required to deliver the service. Meeting our service standard targets demonstrates that the CRA is efficient and responsive to the needs of taxpayers and benefit recipients.

Improving service delivery to Canadians has been an important goal of the CRA since its creation in 1999. In fulfilling this commitment, we have completed a comprehensive review of the current service standards in the CRA; the findings are explained in the following pages.

SERVICE STANDARD REVIEW PROJECT

The aim of the review was to ensure that our service standards properly reflect the evolution of the CRA and provide taxpayers and benefit recipients with appropriate information on the standard of service the CRA offers. In carrying out this objective, the review focused primarily on whether the CRA is communicating, monitoring, and reporting on the right services, with the right targets, in a way that is meaningful to, and effective for, clients.

Overall, the review has confirmed that the state of the CRA's service standards is very good. The service standard development and approval processes are clear and understood, and the CRA has a good mix of timeliness and accuracy standards for key services. Measurement processes are appropriately focused and targets are sufficiently ambitious and challenging for the program delivery areas. In terms of overall management of service standards, the CRA is a leader at both the national and international levels.

The review also identified some areas for improvement. For example, we need to introduce more opportunities for client perspectives in developing and reporting on service standards. The review found that we do not always seek client input with the same frequency and rigour across the CRA. We will undertake further work to determine an effective and efficient means of incorporating client perspectives when we develop service standards.

The review also pointed to the need to adopt a portfolio approach to managing service standards. A portfolio approach places greater emphasis on managing service standards as an integrated whole.

Lastly, the review identified an opportunity to more clearly communicate our service standards by incorporating a client-segmented approach that places greater emphasis on tailoring service standards to relevant taxpayer segments. We plan to enhance our Web site to improve how we communicate service standards and to make navigation more user-friendly.

The recommendations of the review will be implemented in a phased approach over the next two years.

OUR SERVICE STANDARD RESULTS

Performance Rating Legend

✓ Met or exceeded target ☑ Target mostly met (at least 95% of target) ✗ Target not met ▨ New or modified service standard

n/a Not Available	N/A Not Applicable

NOTE: Where service standards are expressed in terms of a number of days, they refer to calendar days, unless otherwise specified.

Taxpayer and Business Assistance

Service	Service Standard	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
1. General enquiries – Telephone	Respond to calls in queue within 2 minutes	80%	80%	82%	83%	82.4%	80.9%	✓
2. Business enquiries – Telephone	Respond to calls in queue within 2 minutes	80%	85%	81%	81.7%	86.8%	86.1%	✓
3. Charities – Respond to telephone enquiries	Respond to calls in queue within 2 minutes	80%	86%	88%	86%	87%	89.9%	✓
4. Advance income tax rulings to taxpayers	Within an average of 60 days	100%	84 days	94 days	101days	104 days	98 days	✗
5. Technical interpretations to taxpayers	Within an average of 90 days	100%	87 days	105 days	89 days	91 days	89 days	✓
6. GST/HST Rulings and Interpretations – Written enquiries	Within 45 working days of receipt of request	80%	88%	87%	89.4%	92.8%	94.1%	✓
7. Applications to register pension plans	Complete review in 180 days	85%	96.2%	96.6%	93.9%	92.2%	86.5%	✓
8. Amendments to registered pension plans	9 months	80%	89.1%	82.1%	76.6%	70.9%	67.2%	✗
9. Terminate registered pension plans	1 year	85%	90.3%	87.9%	82.4%	79.6%	80.7%	☑
10. Retirement savings plans (applications to register, amend, or terminate)	Within 60 days	80%	83.6%	85.3%	84.9%	86.7%	80.1%	✓
11. Retirement income funds (applications to register, amend, or terminate)	Within 60 days	80%	83.7%	91.2%	90.5%	94.4%	92.6%	✓
12. Education savings plans (applications to register, amend, or terminate)	60 days	85%	88%	85.3%	71.4%	93.1%	95%	✓
13. Actuarial valuation reports	9 months	80%	79.7%	35.5%	55.9%	63%	58.9%	✗
14. Deferred income plans – Respond to written enquiries	Within 60 days	80%	75.1%	60.2%	37.6%	64.8%	71.4%	✗
15. Deferred profit-sharing plans	Registration in 180 days	80%	97%	98.9%	96.8%	99.8%	99.4%	✓
16. Deferred profit-sharing plans	Amendments and terminations within 270 days	80%	67.5%	89%	86.5%	88.4%	52.1%	✗

Assessment of Returns and Payment Processing

Service	Service Standard	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
17. Respond to taxpayer-requested adjustments (T1)	within an average of 8 weeks	100%	6 weeks	7 weeks	7 weeks	7 weeks	7 weeks	✓
18. Respond to taxpayer-requested adjustments (T1) received via the Internet[1]	within an average of 2 weeks	100%	N/A	N/A	2 weeks	2 weeks	2 weeks	✓
19. Provide statements of interim payments (SIPS) to T2 corporate income tax/ GST/HST clients on a monthly basis	Mailed by the 18th of the month	95%	99.4%	100%	80.2%	94.3%	100%	✓
20. Process T1 individual income tax returns (paper)	in an average of 4-6 weeks	100%	3.6 weeks	3.9 weeks	4.1 weeks	4.0 weeks	4.3 weeks	✓
21. Process T1 individual income tax returns (electronic)	within an average of 2 weeks	100%	1.9 weeks	1.6 weeks	1.7 weeks	1.6 weeks	1.6 weeks	✓
22. Process T3 trust returns	Within 4 months	95%	96%	95.7%	98%	97.2%	97.6%	✓
23. Process excise tax, excise duty, and air travellers security charge returns	Within 90 days	95%	N/A	98.1%	98.2%	99%	97%	✓
24. Process GST/HST returns	Within 30 days	95%	98.3%	98.5%	91.9%	97.3%	n/a[2]	N/A
25. Process T2 corporation income tax returns	Within 60 days	90%	N/A	N/A	92%	90.8%	92.8%	✓

[1] New standard and target for 2007-2008.

[2] Substantiated results not available for 2009-2010. Revised data capture method began in June 2010.

Accounts Receivable and Returns Compliance

Service	Service Standard	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
26. Process taxpayer relief requests related to accounts receivable and trust accounts programs	4-6 weeks	90%	90%	n/a[1]	n/a[1]	n/a[1]	n/a[1]	

[1] Reliable data not available

Reporting Compliance

Service	Service Standard	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
27. Process non-resident Regulation 105 waiver requests	30 days	85%	N/A	N/A	83.5%	92.3%	94%	✓
28. SR&ED refundable claims	120 days	90%	92%	96.1%	96.3%	96.3%	96.3%	✓
29. SR&ED non-refundable claims	365 days	90%	95%	96.1%	96.8%	97.3%	96%	✓
30. SR&ED claimant-requested adjustments to refundable claims	240 days	90%	94%	96.8%	97.1%	96.9%	97.3%	✓
31. SR&ED claimant-requested adjustments to non-refundable claims	365 days	90%	94%	92.9%	95.1%	96.4%	95.1%	✓

Service	Service Standard	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
32. Video and film tax credits – Refundable claims (unaudited)	60 days	90%	90%	96.6%	96.6%	96.4%	92.9%	✓
33. Video and film tax credits – Refundable claims (audited)	120 days	90%	92%	96%	95.9%	96.3%	91.9%	✓

Appeals

Service	Service Standard	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
34. First contact letter for disputes	30 days	85%	89%	89%	84%	68%	50%	✗
35. Problem Resolution Program	Acknowledged within 2 working days	95%	98%	96.7%	95.1%	95.5%	97.1%	✓
36. Problem Resolution Program	Resolve/client contact within 15 working days	95%	97%	96.7%	95.4%	95.9%	96.6%	✓

Benefit Programs

Service	Service Standard	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
37. Canada Child Tax Benefit – telephone enquiries	Respond to calls in queue within 2 minutes	75%	76%	75%	78.3%	78%	74.9%	✓
38. Process benefit applications and marital status change forms – Timeliness	Issue a payment, notice, or explanation within 80 days	98%	99.4%	99%	99.1%	97.4%	98.8%	✓
39. Process benefit applications and marital status change forms – Accuracy	Accurately process information and, if necessary, issue a payment, notice, or letter	98%	N/A	N/A	98%	97.7%	97.4%	☑
40. Respond to benefit and credit enquiries – Timeliness	Issue a payment, notice, or explanation within 80 days	98%	97.2%	97.8%	99%	98%	93%	☑
41. Respond to benefit and credit enquiries – Accuracy	Respond to recipient written enquiries and telephone referrals from the call centres with the correct information, and process new recipient information including issuing a payment, notice, or letter accurately	98%	N/A	N/A	97.3%	97.1%	99.3%	✓
42. Validation and control – Results of review	45 days	90%	93.6%	n/a	98.7%	97%	94.2%	✓
43. Process a request to authorize or cancel a representative – Timeliness (peak)	Within 20 days of receipt during peak period	90%	95.5%	76.8%	91%	75.8%	93.8%	✓
44. Process a request to authorize or cancel a representative- Accuracy (peak)[1]	Accurately process the request, and, if necessary, send a letter requesting additional information	98%	N/A	N/A	N/A	99%	99%	✓
45. Process a request to authorize or cancel a representative – Timeliness (non-peak)	Within 5 days of receipt during non-peak periods	90%	70.5%	32.8%	75.3%	72.1%	63%	✗

Service	Service Standard	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
46. Process a request to authorize or cancel a representative- Accuracy (non-peak)[1]	Accurately process the request, and, if necessary, send a letter requesting additional information	98%	N/A	N/A	N/A	98.2%	99%	✓

[1] Standard introduced in 2008-2009.

Internal Services

Service	Service Standard	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
47. Client or taxpayer requests for statistical tax data	Respond to client or taxpayer requests for statistical data within an average of 30 days	100%	28 days	28 days	29 days	28 days	22 days	✓

Service Standards Under Development in 2010-2011

Program Activity	Service Standard	Proposed Target
Taxpayer and Business Assistance (Legislative Policy and Regulatory Affairs)	Charities – respond to written enquiries within four months	90%
	Specialty Products – respond to applications to register, amend, or terminate specialty products within 60 calendar days. This standard would combine retirement savings plans, retirement income funds, and education savings plans	tbd
	Deferred profit sharing plans – this standard would combine registration in 180 days with amendments and terminations in 270 days	80%
Taxpayer and Business Assistance (Taxpayer Services – Enquiries)	*e-Services* Helpdesk telephone enquiries	tbd
	GST/HST credit telephone enquiries	tbd
Appeals	Enquiries, CRA service complaints – acknowledge the complaint within 2 days, 15-day taxpayer contact, and 30-day complaint resolution	90%
	Average working days to complete processing income tax, commodity tax, and CPP/EI disputes	tbd

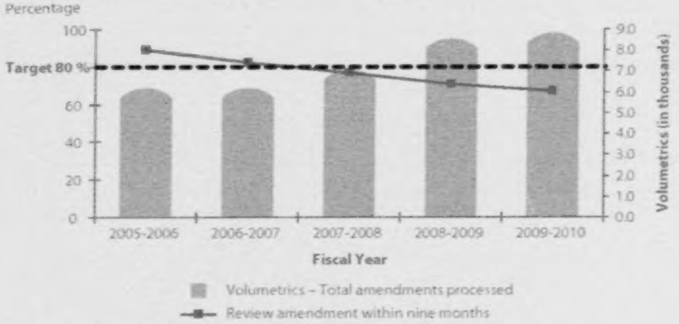
CHALLENGES

Achieving all our service standards is important to the CRA. Earlier in this report, we discussed the standards that relate to highest-volume, highest-impact activities of the CRA. The following sections provide more detail on the six service standards that presented challenges for us in meeting our service targets in 2009-2010.

Taxpayer and Business Assistance

We continued to experience problems meeting our target for processing amendments to registered pension plans. During 2009-2010, concentrated actions to reduce aging inventories that had accumulated over the last few years, coupled with new strategies and processes for dealing with workloads, resulted in an overall inventory decrease of 20% and a decline in the aged inventory of 31%. The realignment of resources to deal with aging inventories has adversely affected our ability to meet this standard. However, we believe that by further reducing current inventories, we will improve performance against this service standard for the next fiscal year.

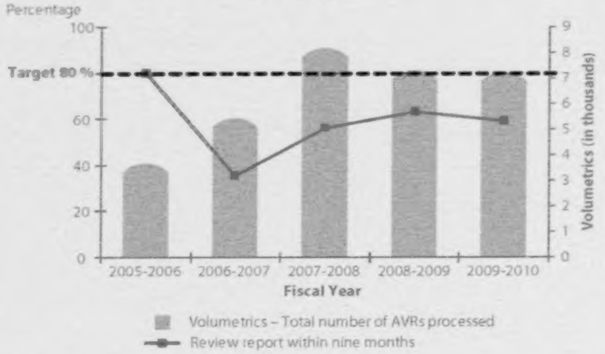
Figure 18 Amendments to Registered Pension Plans



Data quality: Good

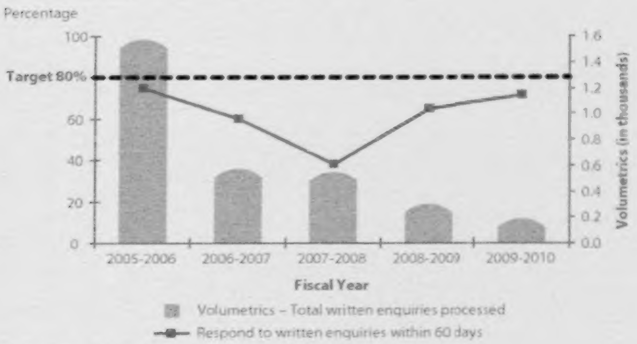
Multiple transformation activities have continued to adversely affect our ability to meet our 80% target for reviewing actuarial valuation reports within nine months and providing written approval of the recommended employer contributions. Over the past few years, increasingly complex workflow requirements have caused inventories to accumulate. This challenge has been compounded by the introduction of enhanced compliance activities on individual pension plans, which include lengthy audit procedures. This focus has significantly increased the time it takes to review actuarial valuation reports but has been useful in identifying non-compliance. To address aged inventories, we have implemented a new risk-based approach in an effort to streamline the review. We have also deployed and trained additional employees to focus on a targeted group of pre-screened files.

Figure 19 Actuarial valuation reports



Data quality: Good

Figure 20 Deferred Income Plans – Response to Written Enquiries



Data quality: Good

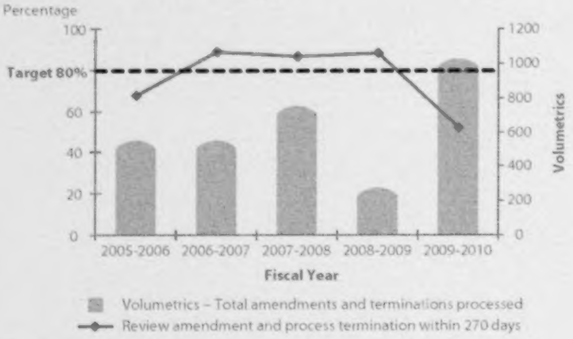
This year, we experienced a significant decline in performance for amending and terminating deferred profit-sharing plans within 270 days. The significant decline in performance was the result of an error in identifying and assigning files, leading to an increase in old inventory. We have trained additional employees to address this workload. Although we took corrective action and made progress during 2009-2010, we still have files in the inventory that do not meet the service standard. Once the aged inventory has been eliminated, we should be able to meet this standard.

Appeals

For the service standard related to sending a first contact letter for disputes, our goal is to acknowledge taxpayer disputes within 30 calendar days. As explained on pages 84 and 85, a number of factors affected the Appeals program intake of disputes, which in turn had an adverse effect on our performance against the service standard. We have implemented a range of activities to address the current performance shortfall. For example, we reallocated existing resources to front-end administrative management activities, and hired and trained more staff to help reduce workloads. These actions should help us to improve our timeliness performance by 2011-2012.

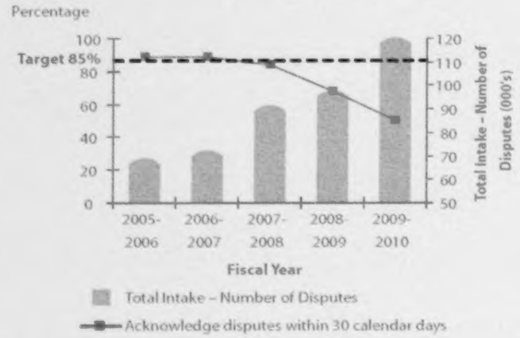
Our goal is to respond to written enquiries related to deferred income plans within 60 calendar days. Our target is to meet this standard 80% of the time. Although we did not meet this standard this year, we improved by 6% over last year. As volumes have been declining over time, we intend to remove this service standard in 2011-2012.

Figure 21 Deferred Profit Sharing Plans – Amendments and Terminations



Data quality: Good

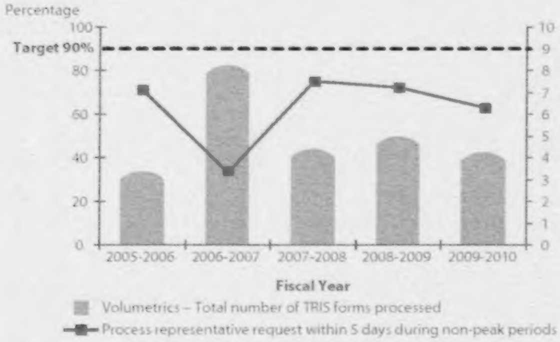
Figure 22 First Contact Letter for Disputes



Data quality: Good

Benefit Programs

Figure 23 Processing a Request to Authorize or Cancel a Representative – Non-peak



Data quality: Good

We strive to process a request that is received during non-peak tax time (mid-July to mid-March) within five business days. We aim to meet this standard 90% of the time. Our performance has declined since last year due to challenges associated with the timely routing of request forms. Steps are being taken to address these delays in affected regions. These involve process improvements, system changes, and ensuring that the requests are given the appropriate priority. These steps should allow us to improve our timeliness performance by 2011-2012.

ADJUSTMENTS TO SERVICE STANDARDS

No changes were made to the CRA's existing service standards in 2009-2010.

SCHEDULE D – WEB LINKS FOR ADDITIONAL INFORMATION

Subject	CRA Web Sites
Annual Reports to Parliament	www.cra.gc.ca/annualreport
Board of Management	www.cra.gc.ca/board
Community Volunteer Income Tax Program	www.cra.gc.ca/volunteer
CRA E-services	www.cra.gc.ca/electronicservices
Home Renovation Tax Credit (HRTC)	www.cra.gc.ca/hrtc
Information for Newcomers to Canada	www.cra.gc.ca/tx/nnrsdnts/ndvdls/nwcmr-eng.html
Making a Difference for Canadians	www.cra.gc.ca/makingadifference
Measuring the Small Business Compliance Burden	www.cra.gc.ca/gncy/bnchmrk/menu-eng.html
Minister of National Revenue	www.cra.gc.ca/gncy/minister
My Account	www.cra.gc.ca/myaccount
My Business Account	www.cra.gc.ca/mybusinessaccount
Summary of Corporate Business Plan 2009-2010 to 2011-2012	www.cra.gc.ca/gncy/bsnss_plns/2009/menu-eng.html
Our Service Standards	www.cra.gc.ca/servicestandards
Project Trident	www.cra.gc.ca/gncy/trdnt/menu-eng.html
Quick Access	www.cra.gc.ca/quickaccess
Scientific Research and Experimental Development Program (SR&ED)	www.cra.gc.ca/sred
Service Complaints	www.cra.gc.ca/complaints
Sustainable Development	www.cra.gc.ca/sds
Taxpayer Bill of Rights	www.cra.gc.ca/rights
Underground Economy	www.cra.gc.ca/undergroundeconomy
Voluntary Disclosures Program	www.cra.gc.ca/voluntarydisclosures

Subject	Additional Web Sites
Accenture Report, Leadership in Customer Service	www.accenture.com/Global/Services/By_Industry/Government_and_Public_Service
Access to Information Act	www.laws.justice.gc.ca/en/A-1
Canada Border Services Agency	www.cbsa.gc.ca
Citizenship and Immigration Canada	www.cic.gc.ca
Department of Finance Canada	www.fin.gc.ca
Department of Justice Canada	www.justice.gc.ca
Excise Tax Act	www.laws.justice.gc.ca/en/E-14.1/index.html
Family Orders and Agreement Enforcement Act	www.laws.justice.gc.ca/en/F-1.4/index.html
Government of Canada	www.canada.gc.ca
House of Commons	www.parl.gc.ca
Human Resources and Skills Development Canada	www.hrsdc.gc.ca
Income Tax Act	www.laws.justice.gc.ca/en/showtdm/cs/I-3.3/index.html
Organisation for Economic Co-operation and Development (OECD)	www.oecd.org
Privacy Act	www.laws.justice.gc.ca/en/P-21/index.html
Softwood Lumber Products Export Charge Act, 2006	www.laws.justice.gc.ca/en/showtdm/cs/S-12.55
Taxpayers' Ombudsman	www.taxpayersrights.gc.ca/menu-eng.html
Tax-Free Savings Account	www.tfsa.gc.ca
The Senate of Canada	www.sen.parl.gc.ca
Treasury Board of Canada Secretariat	www.tbs-sct.gc.ca

SCHEDULE E – GLOSSARY

Term	Description
Caller accessibility	A measure of the percentage of callers who succeed in accessing our telephone service.
Cancellation	The reversal of a penalty or interest that has already been assessed.
Cash receipts	Money received by the CRA or its agents during the fiscal year ended March 31, the majority of which is deposited to the federal government's Consolidated Revenue Fund. Any money not yet deposited is referred to as 'cash on hand'.
Commodity taxes	Federal tax collected on the purchase of goods or services made by the final consumer.
Compliance	Adherence to the law. Total compliance with tax laws includes filing, registration, remittance, and reporting for taxes and benefits in a voluntary, accurate, and timely manner.
Contract Payment Reporting	An initiative that is aimed at deterring underground economic activity by requiring all construction businesses to record payments that are made to subcontractors who provide construction services.
Corporate Business Plan	Outlines the CRA's major challenges, directions, and objectives for a three-year period; the strategies to achieve those objectives; and the performance measures to be used to measure progress.
Dispute	General term to designate a disagreement, objection, or appeal to the Minister of National Revenue (for Canada Pension Plan or Employment Insurance rulings or (re)assessments) made by or on behalf of a taxpayer or benefit recipient, related to a CRA decision.
Disputes resolved	Refers to Appeals disputes for which an impartial administrative review has been completed.
Eligible taxpayer/benefit recipient	One who meets the requirements to qualify to receive a specific service or payment/credit.
Enforcement	Actions taken by the CRA to identify and address cases of non-compliance.
Entitlement	The amount due an eligible person for a specific period.
Expected results	Clear and measurable statements of what the CRA expects to achieve over the planning period, against which our performance will be assessed and reported.
Fiscal impact	Additional tax identified through our compliance activities. This includes federal and provincial tax (excluding Quebec), federal tax refund offset, or reduced interest and penalties; and present value of future tax assessable.
Full-time equivalent	A unit measuring a length of time for employment cost purposes in an operating budget. It includes incidental time necessarily used for annual leave, training, etc.
Government programs debt (non-tax debt)	Debt arising from programs administered by Human Resources and Skills Development Canada (HRSDC), such as defaulted Canada Student Loans, Canada Pension Plan overpayments, and Employment Insurance overpayments that the CRA is responsible for collecting on behalf of HRSDC.
Governance	A comprehensive term that denotes the institutions and processes by which an organization is directed or controlled.
Indicator	The qualification or quantification of a characteristic that is measured to assess the extent to which an expected result is achieved. It is a means of knowing whether or not we have achieved a desired result.
Non-workable file	A file that is awaiting a court decision, a related file that is pending, a file that is awaiting an opinion from a Headquarters appeals office, or (with respect to CPP/EI and tax issues) a file that has been referred to a specialized CPP/EI group for an opinion.
Performance	A term used to define what the CRA did with its resources to achieve its results compared to what the CRA intended to achieve.
Resolved	The Canada Revenue Agency considers tax and non-tax debt to be resolved once payment has been received or if the CRA writes-off the debt.

Term	Description
Risk	The expression of the likelihood of an event to occur that has the potential to impact the achievement of an organization's objectives. Risk is managed by using a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on, and communicating risk issues.
Service standard	A public statement of the level of performance that citizens can expect to encounter from the CRA under normal circumstances.
Set-off	A service provided by the CRA that allows tax refunds and GST/HST credits for individuals to be transferred (set off) to pay debts owed to other federal, provincial, or territorial government programs.
Small and medium-sized enterprises	Small Enterprises: Individuals who are in business, trusts, and private corporations with less than $1 million in annual revenues. Medium Enterprises: corporations with annual revenues between $1 million and $250 million and often involve subsidiary corporations and branch operations.
Strategic outcome	A description of the difference an organization is mandated to make that provides long-term benefits to Canadians.
T1	Income Tax and Benefit Return for Individual
T2	Corporation Income Tax Return
T3	Trust Return
T4	Statement of Remuneration Paid
T5	Return of Investment Income
Tax Alert	A tax alert is a media product used by the CRA when it wishes to communicate matters of particular importance to Canadians that are normally time-sensitive and aimed at protecting their interest and providing important information that could directly affect them. This may include information on tax shelters, investments, tax strategies, and fraud that targets taxpayers.
Tax debt	Taxes and other revenues assessed or estimated by the CRA but not yet collected.
Tax-Free Savings Account for Individuals	Since January 1, 2009, Canadian residents who are 18 years of age or older with a valid Social insurance number (SIN) are eligible to contribute up to $5,000 annually to a Tax-Free Savings Account (TFSA).
Taxpayer relief provisions	Legislation introduced in the early 1990s that provides relief (e.g., forgiveness of interest and penalties) to taxpayers in specific circumstances beyond their control.
Taxpayer segments	Groups of taxpayers who have common compliance requirements and characteristics, service needs, preferences for accessing information or services, or expectations of the CRA, such as individuals; small, medium, and large businesses, both incorporated and unincorporated; and charities.
Tax shelter	Tax shelters are defined in the *Income Tax Act*. In very general terms, a tax shelter includes either a gifting arrangement or the acquisition of property where it is represented to the purchaser or donor that the tax benefits and deductions arising from the arrangement or acquisition will equal or exceed the net costs of entering into the arrangement or the property. Also, a gifting arrangement where the donor incurs a limited recourse debt related to the gift is considered to be a tax shelter. Generally, a limited recourse debt is one where the borrower is not at risk for the repayment.
Underground economy	Economic activity that is neither reported nor recorded.
Voluntary Disclosures Program	A program that provides taxpayers with the opportunity to correct past errors or omissions and to report, without penalty or prosecution, their tax obligations to the CRA.
Waiver	When penalties or interest have not yet been charged, the decision not to charge the amount, either at the taxpayer's request or by the CRA's own initiative.

SCHEDULE F – ACRONYMS AND ABBREVIATIONS

ABA	Automated Benefits Applications
AWP	Agency Workforce Plan
BN	Business Number
BoM	Board of Management
BoMOF	Board of Management Oversight Framework
CAP	Core Audit Program
CBHRM	Competency-Based Human Resources Management
CCTB	Canada Child Tax Benefit
CPP	Canada Pension Plan
CRA	Canada Revenue Agency
CVITP	Community Volunteer Income Tax Program
DTC	Disability Tax Credit
EC	Executive Cadre
EI	Employment Insurance
ESAT	Eligibility Self-Assessment Tool
FTE	Full-time Equivalent
GST	Goods and Services Tax
HRSDC	Human Resources and Skills Development Canada
HST	Harmonized Sales Tax
IT	Information Technology
IRC	Integrated Revenue Collections
MAF	Management Accountability Framework
MOU	Memorandum of Understanding
N/A	Not applicable
n/a	Not available
NF/NR	Non-filer/Non-registrant
OAG	Office of the Auditor General of Canada
OECD	Organisation for Economic Co-operation and Development
PQP	Pre-Qualification Process
PSTAR	Provincial Sales Tax Administration Reform
RRSP	Registered Retirement Savings Plan
SMEs	Small and medium-sized enterprises
SR&ED	Scientific Research and Experimental Development
TBS	Treasury Board of Canada Secretariat
TFSA	Tax-Free Savings Account
TSO	Tax Services Office
UCCB	Universal Child Care Benefit
UE	Underground Economy
WITB	Working Income Tax Benefit

FINANCIAL STATEMENTS

Table of Contents

Statement of Management Responsibility 139

Canada Revenue Agency Audited Financial Statements – Agency Activities 141

- Financial Statements Discussion and Analysis – Agency Activities 159

Canada Revenue Agency Audited Financial Statements – Administered Activities 163

- Financial Statements Discussion and Analysis – Administered Activities 180

Canada Revenue Agency – Unaudited Supplementary Financial Information 187

- Financial Performance Information – Parliamentary Appropriations 189
- Financial Performance Tables 191

Statement of Management Responsibility

We have prepared the accompanying financial statements of the Canada Revenue Agency according to accounting principles consistent with those applied in preparing the financial statements of the Government of Canada. Significant accounting policies are set out in Note 2 to the financial statements. Some of the information included in the financial statements, such as accruals and the allowance for doubtful accounts, is based on management's best estimates and judgments, with due consideration to materiality. The Agency's management is responsible for the integrity and objectivity of data in these financial statements. Financial information submitted to the *Public Accounts of Canada* and included in the Agency's Annual Report is consistent with these financial statements.

To fulfill its accounting and reporting responsibilities, management maintains sets of accounts which provide records of the Agency's financial transactions. Management also maintains financial management and internal control systems that take into account costs, benefits, and risks. They are designed to provide reasonable assurance that transactions are within the authorities provided by Parliament, and by others such as provinces and territories, are executed in accordance with prescribed regulations and the *Financial Administration Act,* and are properly recorded to maintain the accountability of funds and safeguarding of assets. Financial management and internal control systems are reinforced by the maintenance of internal audit programs. The Agency also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training, and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that its regulations, policies, standards, and managerial authorities are understood throughout the organization.

The Board of Management is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board of Management. To assure objectivity and freedom from bias, these financial statements have been reviewed by the Audit Committee and approved by the Board of Management. The Audit Committee is independent of management and meets with management, the internal auditors, and the Auditor General of Canada on a regular basis. The auditors have full and free access to the Audit Committee.

The Auditor General of Canada conducts an independent audit and expresses opinions on the accompanying financial statements.

Approved by:

L. Lizotte-MacPherson.

Linda Lizotte-MacPherson
Commissioner and
Chief Executive Officer

Stephen O'Connor
Chief Financial Officer and
Assistant Commissioner,
Finance and Administration

Ottawa, Ontario
August 23, 2010

CANADA REVENUE AGENCY
AUDITED FINANCIAL STATEMENTS – AGENCY ACTIVITIES

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Board of Management of the Canada Revenue Agency
and the Minister of National Revenue

I have audited the statement of financial position of the Agency Activities of the Canada Revenue Agency as at March 31, 2010 and the statements of operations, net liabilities and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency Activities of the Canada Revenue Agency as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
August 23, 2010

STATEMENT OF FINANCIAL POSITION – AGENCY ACTIVITIES

as at March 31
(in thousands of dollars)

	2010	2009
ASSETS		
Financial assets		
Cash	93	71
Due from the Consolidated Revenue Fund	181,212	299,995
Accounts receivable and advances (Note 4)	43,174	7,711
	224,479	307,777
Non-financial assets		
Prepaid expenses	17,299	19,333
Capital assets (Note 5)	530,425	489,816
	547,724	509,149
TOTAL	**772,203**	**816,926**
LIABILITIES		
Accrued salaries	49,785	168,100
Accounts payable and accrued liabilities	180,894	161,962
Lease obligations for capital assets (Note 6)	14,732	13,562
Vacation pay and compensatory leave	176,953	164,478
Employee severance benefits (Note 7)	554,363	619,846
Other liabilities	2,924	2,262
	979,651	1,130,210
NET LIABILITIES (Note 8)	(207,448)	(313,284)
TOTAL	**772,203**	**816,926**

Contingent liabilities (Note 13) and contractual obligations (Note 14)

The accompanying notes form an integral part of these financial statements.

Approved by:

Linda Lizotte-MacPherson
Commissioner and
Chief Executive Officer

Susan J. McArthur
Chair, Board of Management

STATEMENT OF OPERATIONS – AGENCY ACTIVITIES

for the year ended March 31
(in thousands of dollars)

	2010	2009
EXPENSES (Note 9)		
Internal services	1,139,411	1,132,532
Reporting compliance	1,126,047	1,127,286
Assessment of returns and payment processing	765,185	754,161
Accounts receivable and returns compliance	670,514	666,692
Taxpayer and business assistance	385,342	380,440
Appeals	220,921	215,376
Benefit programs	131,007	155,044
Taxpayer's Ombudsman	2,894	2,167
TOTAL EXPENSES	4,441,321	4,433,698
NON-TAX REVENUE (Note 10)		
Internal services	224,736	203,586
Reporting compliance	14,679	6,741
Assessment of returns and payment processing	92,934	88,035
Accounts receivable and returns compliance	155,506	148,722
Taxpayer and business assistance	57,274	60,864
Appeals	19,775	18,550
Benefit programs	4,517	11,061
TOTAL NON-TAX REVENUE	569,421	537,559
NET COST OF OPERATIONS	**3,871,900**	**3,896,139**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF NET LIABILITIES – AGENCY ACTIVITIES

for the year ended March 31
(in thousands of dollars)

	2010	2009
Net liabilities, beginning of year	(313,284)	(180,570)
Net cost of operations	(3,871,900)	(3,896,139)
Current year Parliamentary appropriations used (Note 3(a))	3,985,210	3,804,856
Non-tax revenue not credited to Vote 1 (Note 3(c))	(268,580)	(266,628)
Change in net cash not affecting appropriations in the current year (Note 3(c))	110,701	(56,695)
Services received without charge from other government agencies and departments (Note 11)	269,188	250,314
Change in due from the Consolidated Revenue Fund	(118,783)	31,578
NET LIABILITIES, END OF YEAR	**(207,448)**	**(313,284)**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOW – AGENCY ACTIVITIES

for the year ended March 31
(in thousands of dollars)

	2010	2009
OPERATING ACTIVITIES		
Net cost of operations	3,871,900	3,896,139
Items not affecting cash		
Amortization of capital assets (Note 5)	(86,838)	(88,377)
Net loss on disposal/write-off of capital assets	(10,245)	(23,157)
Services received without charge from other government agencies and departments (Note 11)	(269,188)	(250,314)
Change in financial assets other than due from the Consolidated Revenue Fund	35,485	(17,531)
Change in prepaid expenses	(2,034)	3,263
Change in liabilities other than lease obligations for capital assets	151,729	(175,173)
CASH USED BY OPERATING ACTIVITIES	3,690,809	3,344,850
CAPITAL INVESTING ACTIVITIES		
Acquisition of capital assets funded by current year appropriations (Note 3 (b))	127,404	126,321
Acquisition of capital assets not funded by current year appropriations	10,584	19,490
Proceeds from disposal of capital assets	(296)	(932)
CASH USED BY CAPITAL INVESTING ACTIVITIES	137,692	144,879
FINANCING ACTIVITIES		
Increase in lease obligations for capital assets	(5,363)	(15,374)
Payment of lease obligations for capital assets	4,193	7,178
CASH PROVIDED BY FINANCING ACTIVITIES	(1,170)	(8,196)
NET CASH PROVIDED BY THE GOVERNMENT OF CANADA	**3,827,331**	**3,481,533**

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Authority and objectives

The Canada Revenue Agency (the "Agency") is an agent of Her Majesty in right of Canada under the *Canada Revenue Agency Act*. The Agency is a departmental corporation named in Schedule II of the *Financial Administration Act* and reports to Parliament through the Minister of National Revenue.

The mandate of the Agency is to support the administration and enforcement of tax legislation as well as other related legislation. The Agency provides support, advice, and services by:

(a) supporting the administration and enforcement of program legislation;

(b) implementing agreements between the Government of Canada or the Agency and the government of a province, territory or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;

(c) implementing agreements or arrangements between the Agency and departments or agencies of the Government of Canada to carry out an activity or administer a program; and

(d) implementing agreements between the Government of Canada and First Nations governments to administer a tax.

The Agency collects revenues, including income and sales taxes and Employment Insurance premiums, administers tax legislation, delivers a number of social benefit programs to Canadians for the federal government, as well as for provincial, territorial, and First Nations governments and collects amounts for other groups or organizations, including Canada Pension Plan contributions. It is responsible for the administration and enforcement of the following acts or parts of acts: the *Air Travellers Security Charge Act*, the *Canada Revenue Agency Act*, the *Children's Special Allowances Act*, Part V.1 of the *Customs Act*, section 2 of the *Energy Costs Assistance Measures Act*, the *Excise Act*, the *Excise Tax Act* (including the Goods and Services Tax (GST) and the Harmonized Sales Tax (HST) except for GST/HST on imported goods), the *Excise Act, 2001*, the *Income Tax Act*, the *Softwood Lumber Products Export Charge Act, 2006*, the *Universal Child Care Benefit Act*, and others including various provincial acts.

In delivering its mandate, the Agency operates under the following program activities:

(a) Internal services: Provides internal services across the Agency, such as human resources management, financial management and information technology, to support the needs of programs and corporate obligations;

(b) Reporting compliance: Verifies complete and accurate disclosure by taxpayers of all required information to establish tax liabilities;

(c) Assessment of returns and payment processing: Processes and validates taxpayer returns; registers, establishes, and maintains taxpayer accounts; and, receives payments;

(d) Accounts receivable and returns compliance: Identifies and addresses non-compliance with taxpayer filing and remittance requirements;

(e) Taxpayer and business assistance: Assists taxpayers in meeting their obligations under the self-assessment;

(f) Appeals: Provides a dispute resolution process for taxpayers who disagree with decisions taken by the Agency;

(g) Benefit programs: Provides Canadians certain income-based benefits, credits and other services on behalf of federal, provincial (except Québec), and territorial governments;

(h) Taxpayers' Ombudsman: Addresses requests for reviews made by taxpayers and benefit recipients with respect to service matters.

2. Summary of significant accounting policies

For financial reporting purposes, the activities of the Agency have been divided into two sets of financial statements: Agency Activities and Administered Activities. The financial statements - Agency Activities include those operational revenues and expenses which are managed by the Agency and utilized in running the organization. The financial statements - Administered Activities include those revenues and expenses that are administered for someone other than the Agency, such as the federal government, a province or territory, or another group or organization. The purpose of the distinction between Agency and Administered activities is to facilitate, among other things, the assessment of the administrative efficiency of the Agency in achieving its mandate.

As required by section 88(2)(a) of the *Canada Revenue Agency Act*, the financial statements - Agency Activities have been prepared using accounting principles consistent with those applied in the preparation of the financial statements of the Government of Canada. The accounting principles used are consistent with Canadian generally accepted accounting principles for the public sector. A summary of significant accounting policies follows:

(a) Parliamentary appropriations

The Agency is financed by the Government of Canada through Parliamentary appropriations. Accounting for appropriations provided to the Agency does not parallel financial reporting according to Canadian generally accepted accounting principles, as they are based in large part on cash flow requirements. Consequently, items recognized in the Statement of Financial Position and the Statement of Operations may be different from those provided through appropriations from Parliament. Note 3(b) provides a high-level reconciliation between the two bases of reporting.

(b) Net cash provided by the Government of Canada

The Agency operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash receipts are deposited to the CRF and all cash disbursements are paid from the CRF. The net cash provided by government is the difference between all cash receipts and all cash disbursements including transactions with departments and agencies.

(c) Expense recognition

Expenses are recognized when goods are received and/or services are rendered.

(d) Services received without charge from other government agencies and departments

Estimates of the cost for services received without charge from other government agencies and departments are included in expenses. Costs are estimated using the cost recovery methodology.

(e) Employee benefit plan

The Government of Canada sponsors an employee benefit plan (health and dental) in which the Agency participates. The Agency's contributions to the plan are recorded at cost and charged to personnel expenses in the year incurred. They represent the Agency's total obligation to the plan. Current legislation does not require the Agency to make contributions for any future unfunded liabilities of the plan.

(f) Revenue recognition

Non-tax revenue is recognized when the services are rendered by the Agency.

(g) Due from the Consolidated Revenue Fund

Amounts due from the CRF are the result of timing differences between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Agency is entitled to draw from the CRF without further authorities.

(h) Accounts receivable and advances

Accounts receivable and advances are stated at the lower of cost and net recoverable value. An allowance for doubtful accounts is recorded where recovery is considered uncertain.

(i) Capital assets

All costs of $10,000 or more incurred by the Agency to acquire or develop capital assets are capitalized and amortized over the useful lives of the assets. Similar items under $10,000 are expensed.

Capital assets are amortized on a straight-line basis over the estimated useful lives of assets as follows:

Asset class	Useful life
Machinery, equipment, and furniture	10 years
In-house developed software	5-10 years
Vehicles and other means of transportation	5 years
Information technology equipment	5 years
Purchased software	3 years
Leased capital assets	Term of the lease

Assets under construction/development are not amortized until completed and put into operation.

(j) Vacation pay and compensatory leave

Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment. The liability for vacation pay and compensatory leave is calculated at the salary levels in effect at the end of the year for all unused vacation pay and compensatory leave benefits accruing to employees.

(k) Employee future benefits

(i) Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Agency's contributions reflect the full cost as employer. These amounts are currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Agency's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Agency. Current legislation does not require the Agency to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

(ii) Severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The obligation resulting from the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(l) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable, the Agency's best estimate of the contingency is disclosed in the notes to the financial statements.

(m) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported on the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. Employee severance benefits, contingent liabilities, the useful life of capital assets, services received without charge and the allowance for doubtful accounts are the most significant items where estimates are used. Actual results could differ significantly from the current estimates. The estimates are reviewed periodically and, as adjustments become necessary, they are reported in the financial statements in the period in which they become known.

3. Parliamentary appropriations

The Agency receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Financial Position and the Statement of Operations in one year may be funded through Parliamentary appropriations in prior, current, or future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on an accrual accounting basis. These differences are reconciled below.

(a) Reconciliation of Parliamentary appropriations provided and used:

	2010	2009
	(in thousands of dollars)	
Parliamentary appropriations — provided:		
Vote 1– CRA operating expenditures	3,477,046	3,326,531
Amounts available for spending per section 60(2) of the *Canada Revenue Agency Act*	213,920	219,585
Spending of proceeds from disposal of surplus Crown assets	111	785
Statutory expenditures:		
Contributions to employee benefits plans	469,401	419,900
Payments to provinces under the *Softwood Lumber Products Export Charge Act, 2006*[1]	205,545	180,495
Children's Special Allowance Payments[1]	215,264	211,848
Energy Cost Benefit[1]	13	489
Payments to private collection agencies pursuant to section 17.1 of the *Financial Administration Act*	3,286	9,067
Other	1,574	1,962
	4,586,160	4,370,662
Less:		
Appropriations available for future years[2]	(150,326)	(147,065)
Appropriation lapsed[2]	(29,287)	(24,941)
Expenditures related to Administered Activities[1]	(421,337)	(393,800)
	(600,950)	(565,806)
Total Parliamentary appropriations used	**3,985,210**	**3,804,856**

[1] In accordance with the division of activities for financial reporting purposes outlined in Note 2, the ex-gratia payments for Relief for Heating Expense, which were authorized through Vote 1 - CRA operating expenditures, as well as the payments under the *Softwood Lumber Products Export Charge Act, 2006*, the Children's Special Allowance and the Energy Cost Benefit payments, are reported as federal administered expenses on the Statement of Administered Expenses and Recoveries of the Agency's Administered Activities financial statements.

[2] Pursuant to section 60(1) of the *Canada Revenue Agency Act*, the balance of money appropriated by Parliament for the use of the Agency that remains unexpended at the end of the fiscal year lapses at the end of the following fiscal year.

(b) Reconciliation of net cost of operations to total Parliamentary appropriations used:

	2010	2009
	(in thousands of dollars)	
Net cost of operations	3,871,900	3,896,139
Expenses not requiring use of current year appropriations:		
Amortization of capital assets (Note 5)	(86,838)	(88,377)
Adjustment to prior years' accruals	3,243	5,175
Loss on disposal/write-off of capital assets	(10,432)	(23,947)
Services received without charge from other government agencies and departments (Note 11)	(269,188)	(250,314)
Other	5,938	9,578
	(357,277)	(347,885)
Asset acquisitions funded by current year appropriations:		
Capital assets	127,404	126,321
Prepaid expenses	(2,034)	3,263
	125,370	129,584
Net changes in future funding requirements:		
Employee severance benefits	65,483	(110,367)
Salary, vacation pay and compensatory leave	11,154	(29,243)
	76,637	(139,610)
Non-tax revenue not credited to Vote 1 (Note 10):		
Non-tax revenue available for spending	212,904	215,554
Non-tax revenue not available for spending	55,676	51,074
	268,580	266,628
Total Parliamentary appropriations used	**3,985,210**	**3,804,856**

(c) Reconciliation of net cash provided by the Government of Canada to Parliamentary appropriations used:

	2010	2009
	(in thousands of dollars)	
Net cash provided by Government of Canada	3,827,331	3,481,533
Non-tax revenue not credited to Vote 1 (Note 10):		
Non-tax revenue available for spending	212,904	215,554
Non-tax revenue not available for spending	55,676	51,074
	268,580	266,628
Change in net cash not affecting appropriations in the current year:		
Net changes in accounts payable, accrued liabilities, accrued salaries and other liabilities	(98,721)	59,192
Net changes in cash and accounts receivable	(35,485)	17,531
Other adjustments	23,505	(20,028)
	(110,701)	56,695
Total Parliamentary appropriations used	**3,985,210**	**3,804,856**

4. Accounts receivable and advances

	2010	2009
	(in thousands of dollars)	
Accounts receivable – Related parties (Note 11)	37,861	2,423
Accounts receivable – External	1,144	736
Advances to employees	1,872	2,236
Salary overpayments	3,075	3,095
	43,952	8,490
Less: Allowance for doubtful accounts	(778)	(779)
Total	**43,174**	**7,711**

5. Capital assets

	Cost			
Capital Asset Class	**Opening balance**	**Acquisitions**	**Disposals and adjustments**	**Closing balance**
	(in thousands of dollars)			
Machinery, equipment and furniture	14,366	714	1,076	14,004
Software (purchased and in-house developed and/or in development)	559,328	107,665	15,734	651,259
Vehicles and other means of transportation	2,438	416	263	2,591
Information technology equipment including leased assets (Note 6)	198,303	29,193	22,265	205,231
Total	**774,435**	**137,988**	**39,338**	**873,085**

	Accumulated amortization			
Capital Asset Class	**Opening balance**	**Amortization expense**	**Disposals and adjustments**	**Closing balance**
	(in thousands of dollars)			
Machinery, equipment and furniture	9,782	747	958	9,571
Software (purchased and in-house developed and/or in development)	175,844	54,074	6,967	222,951
Vehicles and other means of transportation	1,523	397	258	1,662
Information technology equipment including leased assets (Note 6)	97,470	31,620	20,614	108,476
Total	**284,619**	**86,838**	**28,797**	**342,660**

Capital Asset Class	**2010 Net book value**	**2009 Net book value**
	(in thousands of dollars)	
Machinery, equipment and furniture	4,433	4,584
Software (purchased and in-house developed and/or in development)	428,308	383,484
Vehicles and other means of transportation	929	915
Information technology equipment including leased assets (Note 6)	96,755	100,833
Total	**530,425**	**489,816**

The cost of software in development, which is not amortized, is $227,841,892 as at March 31, 2010 ($166,996,563 as at March 31, 2009).

6. Lease obligations for capital assets

The Agency has entered into agreements to rent information technology equipment under capital leases with a cost of $20,737,435 and accumulated amortization of $5,770,101 as at March 31, 2010 ($15,374,292 and $1,601,489 respectively as at March 31, 2009). These capital leases expire on September 30, 2012. The obligations for the upcoming years include the following:

	2010	2009
	(in thousands of dollars)	
2009-2010	0	4,110
2010-2011	6,109	4,110
2011-2012	6,109	4,110
2012-2013	3,055	2,054
Total future minimum lease payments	15,273	14,384
Less: imputed interest (1.76% to 3.32%)	541	822
Balance of lease obligations for capital assets	**14,732**	**13,562**

7. Employee future benefits

(a) Pension benefits

The Agency and all eligible employees contribute to the Public Service Pension Plan, which is sponsored by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to the increase in the Consumer Price Index.

The Agency's and employees' contributions to the Public Service Pension Plan for the year were as follows:

	2010	2009
	(in thousands of dollars)	
Agency's contributions	338,907	303,167
Employees' contributions	163,419	143,145

The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada.

(b) Severance benefits

The Agency provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2010	2009
	(in thousands of dollars)	
Employee severance benefits, beginning of year	619,846	509,479
Cost for the year	(25,071)	149,601
Benefits paid during the year	(40,412)	(39,234)
Employee severance benefits, end of year	**554,363**	**619,846**

8. Net liabilities

Net liabilities represent liabilities incurred by the Agency, net of assets, which have not yet been funded through appropriations. Significant components of these amounts are employee severance benefits and vacation pay and compensatory leave. These amounts are expected to be funded by appropriations in future years as they are paid.

9. Expenses by category

In the Statement of Operations, expenses are presented by program activity. The following presents expenses by category.

	2010	2009
	(in thousands of dollars)	
Personnel		
Salaries	2,301,210	2,226,094
Other allowances and benefits (including employee benefits described in Note 7)	929,087	1,014,419
	3,230,297	3,240,513
Accommodation	331,587	312,681
Professional and business services	210,024	222,044
Transportation and communications	197,804	201,274
Federal sales tax administration costs by the Province of Québec	148,437	131,732
Amortization of capital assets (Note 5)	86,838	88,377
Repair and maintenance	71,087	66,298
Equipment purchases	56,195	67,720
Other services and expenses	39,042	27,485
Materials and supplies	37,067	36,824
Advertising, information and printing services	17,756	9,746
Loss on disposal/write-off of capital assets	10,432	23,947
Equipment rentals	4,755	5,057
Total	**4,441,321**	**4,433,698**

10. Non-tax revenue by category

In the Statement of Operations, non-tax revenues are presented by program activity. The following presents non-tax revenues by category. The nature of each category is defined by the treatment permitted from a Parliamentary appropriations perspective.

	2010	2009
	(in thousands of dollars)	
Non-tax revenue credited to Vote 1 – CRA operating expenditures		
Fees for administering the *Employment Insurance Act*	167,067	143,419
Fees for administering the *Canada Pension Plan*	133,774	127,512
	300,841	270,931
Non-tax revenue available for spending		
Services fees	155,001	158,965
Administration fees – provinces and territories	55,397	53,501
Ruling fees	1,629	2,060
Miscellaneous respendable revenue	877	1,028
	212,904	215,554
Non-tax revenue not available for spending		
Recovery of employee benefit costs relating to non-tax revenue credited to Vote 1 and revenue available for spending	53,248	48,565
Miscellaneous non-tax revenue	2,428	2,509
	55,676	51,074
Total	**569,421**	**537,559**

11. Related party transactions

The Agency is related in terms of common ownership to all Government of Canada departments, agencies, and Crown corporations. Transactions with Crown Corporations entered into by the Agency are in the normal course of business and on normal trade terms applicable to all individuals and enterprises. Transactions with other Government of Canada departments and Agencies are conducted on a cost recovery basis.

(a) Services received without charge from other government agencies and departments:

During the year, the Agency received various services without charge from other government agencies and departments. The estimated costs for significant services received without charge include:

	2010	2009
	(in thousands of dollars)	
Employer's contribution to the health and dental insurance plans – Treasury Board Secretariat	209,260	187,748
Legal services – Justice Canada	53,518	57,508
Audit services – Office of the Auditor General of Canada	2,486	1,858
Payroll services – Public Works and Government Services Canada	2,362	1,814
Workers' compensation benefits – Human Resources and Skills Development Canada	1,562	1,386
Total	**269,188**	**250,314**

(b) Payables and receivables outstanding at year-end with related parties:

	2010	2009
	(in thousands of dollars)	
Accounts receivable (Note 4)	37,861	2,423
Accounts payable	68,587	33,398

12. Board of Management

Pursuant to the *Canada Revenue Agency Act*, a Board of Management is appointed to oversee the organization and administration of the Agency and the management of its resources, services, property, personnel and contracts. The expenses relating to the Board's activities for the year included in the net cost of operations were as follows:

	2010	2009
	(in thousands of dollars)	
Board of Management		
Compensation	403	377
Travel	176	210
Professional services and other expenses	247	106
	826	693
Other related costs		
Corporate Secretariat support	729	774
Total	**1,555**	**1,467**

The amount of compensation reported above includes an amount of $161,668 for retainers applicable to five quarters ($109,584 for three quarters in 2009). The professional services and other expenses include an amount of $109,249 for the implementation of a board portal (nil in 2009).

13. Contingent liabilities

The Agency is a defendant in certain cases of pending and threatened litigation which arose in the normal course of operations. The current best estimate of the amount to be paid in respect of the cases identified as likely to be lost has been recorded in Accounts payable and accrued liabilities. All other cases, excluding those assessed as unlikely to be lost, are considered contingent liabilities and the related amounts are disclosed whenever the amount of the contingency can be reasonably estimated. As at March 31, 2010, contingent liabilities for claims and pending and threatened litigation have been estimated at $27,716,223 ($71,920,758 as at March 31, 2009).

14. Contractual obligations

The nature of the Agency's activities can result in multiyear contracts and obligations whereby the Agency will be committed to make future payments when the goods are received and/or the services are rendered. Significant contractual obligations, other than lease obligations for capital assets (Note 6), that can be reasonably estimated are as follows:

	2011	2012	2013	2014	2015 and thereafter	Total
	(in thousands of dollars)					
Operating leases	1,227	100	69	34	158	1,588

15. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS – AGENCY ACTIVITIES

INTRODUCTION

This section of the Financial Statements provides unaudited supplementary information on Agency Activities, on an accrual basis, as reported in the audited Financial Statements. It also provides an overview of the Enterprise Risk Management.

FINANCIAL STATEMENTS HIGHLIGHTS

There are three significant program administration changes which have influenced the results in the Financial Statements.

1. Provincial Sales Tax Administration Reform

In 2009, the provinces of Ontario and British Columbia entered into Memoranda of Agreement with the Government of Canada to harmonize their provincial sales taxes with the federal Goods and Services Tax (GST) effective July 1, 2010.

The CRA received incremental funding of $47.5 million (including employee benefit plan contributions) in 2009-2010 to ensure that necessary systems and processes were in place for the implementation of HST in Ontario and British Columbia, to communicate the necessary information to businesses and individual taxpayers, and to prepare for the integration of the affected provincial employees into the Agency's workforce. The level of funding to be provided in subsequent years is expected to be confirmed by the Treasury Board in the near future.

The implementation of a harmonized administration and the successful transition of provincial employees will continue to be a priority for the CRA in 2010-2011.

2. Corporate Tax Administration for Ontario

The CRA has commenced processing Ontario T2 harmonized corporate income tax returns and is also providing related services, including audits, rulings, interpretations, objections and appeals. As such the administration of Ontario corporate tax is now fully integrated into the CRA's base operations.

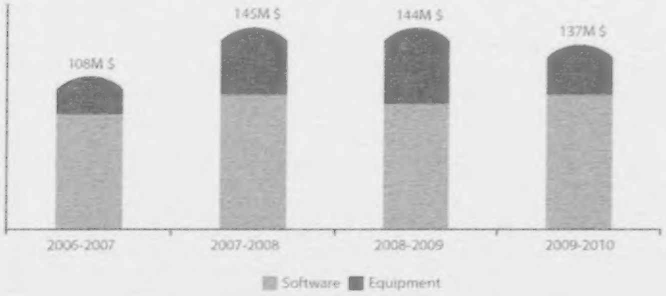
The CRA received $210.5 million of Federal Government funding over four years (2006-07 to 2009-10) for developmental and transitional costs relating to this initiative. Of this amount $83.2M was expended in 2009-10. Under the Memorandum of Agreement Concerning a Single Administration of Ontario Corporate Tax, signed on October 6, 2006, the Governments of Canada and Ontario agreed to transfer the administration of Ontario corporate income tax from the Ontario Ministry of Revenue to the CRA starting in the 2009 taxation year. The Corporate Tax Administration for Ontario initiative has now met its key milestones, and all necessary agreements and systems changes have been in place since April 2009.

3. Investment in Information Technology systems

In fiscal year 2010, the CRA continued to invest in information technology (IT) systems in order to ensure modern and efficient program delivery. The Agency had several large-scale projects that required substantial investments in the development of IT systems. Combined with the acquisition of IT hardware, the Agency invested $137 million in IT related capital assets this fiscal year. The value of these new capital assets has been offset by amortization expenses of $87 million in 2009-10.

The following figure outlines investments in information technology that have been accounted for as capital assets in the last four years.

Figure 24 Information Technology Investment in Capital Assets



ANALYSIS OF NET COST OF OPERATIONS

The Agency's 2009-2010 net cost of operations decreased by $24 million from 2008-2009. Agency expenses totaled $4,441 million in 2009-2010 (2008-2009 - $4,434 million) (see Note 9 of the Financial Statements - Agency Activities for the breakdown of expenses by type). When adjusting for non-tax revenue of $569 million (2008-2009 - $538 million), the net cost of operations amounts to $3,872 million, as illustrated below:

DETAILS ON THE NET COST OF OPERATIONS

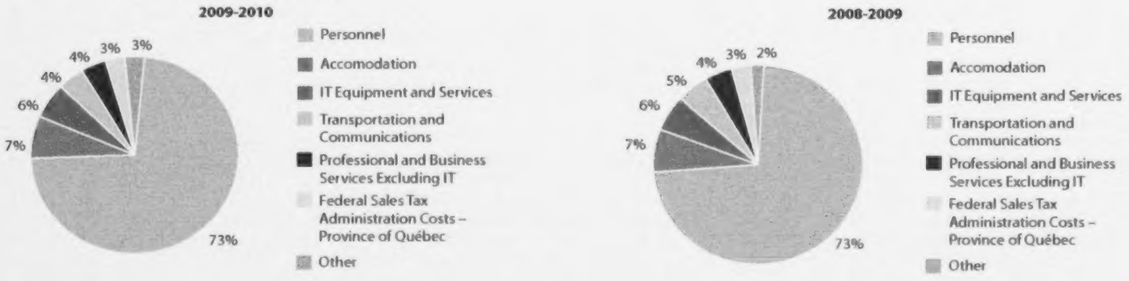
Expenses	**2010**	**2009**
	(in thousands of dollars)	
Personnel	3,230,297	3,240,513
Accommodation	331,587	312,681
IT equipment and services	256,778	289,559
Transportation and communications	197,804	201,274
Professional and business services excluding IT	162,506	168,674
Federal sales tax administration costs – Province of Québec	148,437	131,732
Other	113,912	89,265
Total expenses	**4,441,321**	**4,433,698**
Less: Non-tax revenue	569,421	537,559
Net cost of operations	**3,871,900**	**3,896,139**

The Agency's expenses are composed of 73% in personnel expenses (salaries, other allowances and benefits) and 27% in non-personnel expenses, as illustrated in the figure below.

Personnel expenses are the primary drivers for the Agency. A number of factors contributed to the net decrease of $10 million for this type of expenses in 2009-2010. Additional costs were incurred for salary revisions pursuant to collective agreements provisions and in the staff complement due to new initiatives such as the Provincial Sales Tax Administration Reform, the Corporate Tax Administration for Ontario, Ontario Aggressive International Tax Planning and others announced in recent Federal Budgets but were offset by a decrease in the cost of severance benefits.

In total, non-personnel expenses increased by $18 million. Significant elements of non-personnel expenses are composed of accommodation, transportation and communication expenses. The reduction of $33 million in information technology costs is attributable to decreases in the purchase of computer equipment and software as well as decreases in loss on disposals and write offs of capital assets. Federal Goods and Services Tax administration costs by the Province of Québec have increased due to higher salary costs.

Figure 25 Total Expenses by Type



ENTERPRISE RISK MANAGEMENT

The purpose of the Enterprise Risk Management (ERM) Program is to ensure that the Agency develops and implements a systematic, comprehensive approach to managing risks that is fully integrated into decision-making, planning and reporting processes and mechanisms.

Efforts are being made to align corporate risk management with the Agency's planning and resource allocation cycles. Furthermore, progress is being made to embed risk information and commitments in other key products and processes including the Corporate Business Plan, the Corporate Audit and Evaluation Plan, and the Executive Cadre's Accountability Regime. In addition, the Agency has also instituted a structured risk management training program for managers and executives.

In support of corporate risk management, the two key ERM products are the *Corporate Risk Inventory (CRI)* and the *CRA Risk Action Plan*. The CRI presents a strategic, high-level snapshot at a point-in-time of the Agency's risk status. The Agency's response to each risk in the CRI is captured in a companion document, the *CRA Risk Action Plan*.

In the 2009 Corporate Risk Inventory, there are 6 primary risk themes for the Agency.

TAXPAYER COMPLIANCE

One of the CRA's key program outcomes is to ensure compliance with tax laws on behalf of governments across Canada. The CRA's fundamental approach is to encourage taxpayers to fulfill their tax obligations. While the vast majority of taxpayers are compliant, the current economic context could result in increased compliance challenges.

GOVERNMENT OF CANADA LEGISLATIVE, REGULATORY AND POLICY FRAMEWORK

While the CRA has legislated authority over many aspects of its business, the organization must still deliver its programs according to the Government of Canada's (GoC) legislative, regulatory and policy framework. The complexity and constant evolution of GoC rules create challenges for the Agency as efforts are needed to ensure the organization adjusts in a timely fashion.

RESOURCES AND PERFORMANCE

The effects of a sound strategic resource allocation process are directly linked to our performance as an organization. In order to ensure optimal performance, the CRA needs to leverage its financial resources and ensure the flexibility to adapt rapidly and effectively to change. This must be done while proactively managing the service expectations of taxpayers.

SKILLED, KNOWLEDGEABLE AND ETHICAL WORKFORCE

Among the CRA's most important assets are the skills and talents of its people, their knowledge and the ethical behaviour and standards by which they fulfill their responsibilities. While recognizing that current demographic trends may present significant challenges for the organization, the CRA must continue to strive to hire the right people with the right skills, capitalize on corporate knowledge and ensure the highest ethical standards are maintained throughout the Agency.

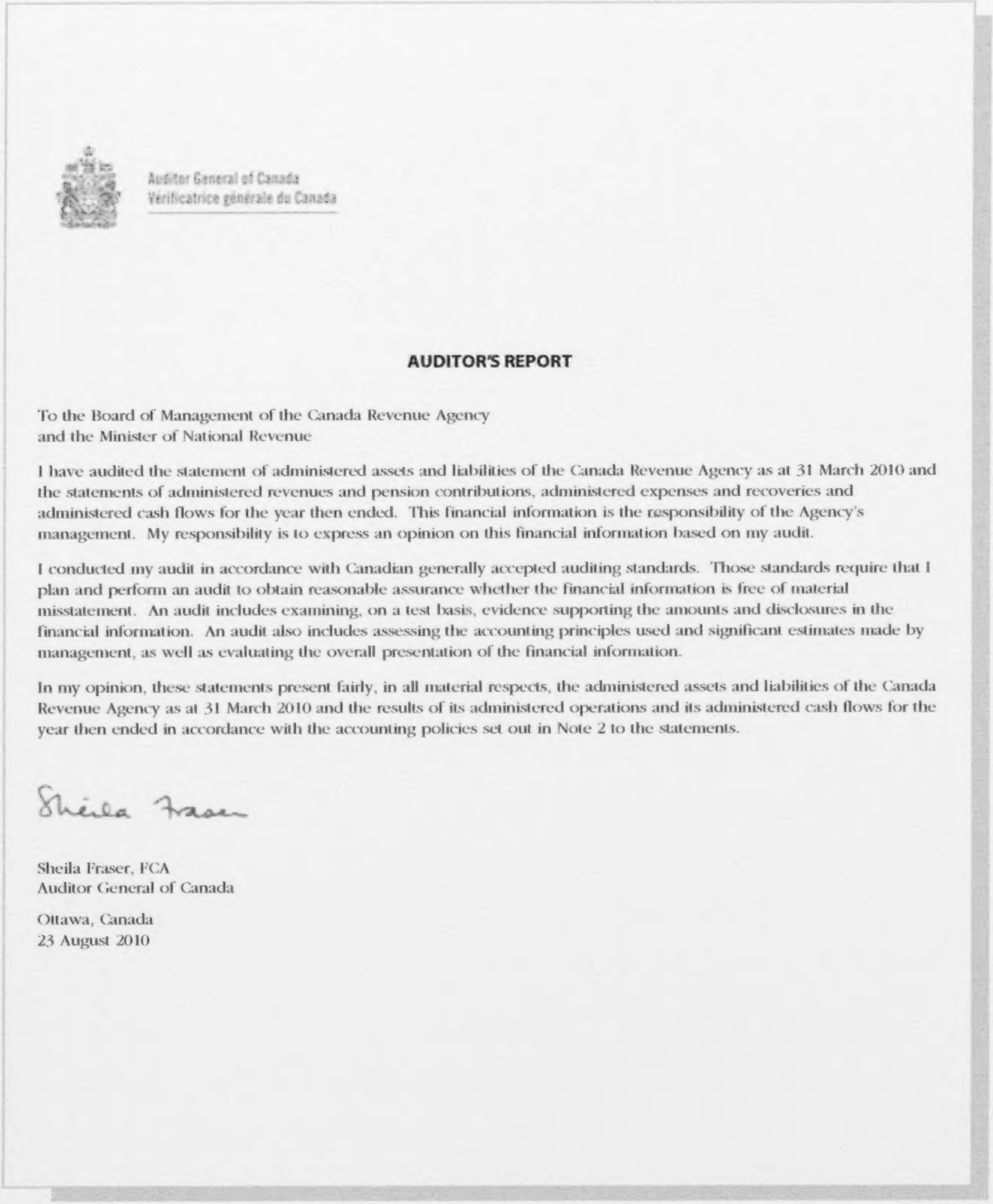
PROTECTION OF INFORMATION

As a result of the CRA's mandate and the nature of its work, massive amounts of personal and sensitive information are entrusted to the Agency. Protecting the confidentiality of personal and business tax information provided to the CRA is critical for maintaining the trust and confidence of Canadians. Technological advancements, a global rise in identity theft and an increased need for information availability challenge the Agency's ability to effectively protect against inappropriate access or disclosure of protected taxpayer and benefit recipient information.

INFORMATION TECHNOLOGY

As an advanced and complex organization, the CRA's programs and services depend on a complex information technology environment. The increased complexity of our legislative and business environment in addition to the increased diversity and expectations of external stakeholders put steady pressures on our IT services, facilities and applications to support rapidly changing demands.

CANADA REVENUE AGENCY AUDITED FINANCIAL STATEMENTS – ADMINISTERED ACTIVITIES



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Board of Management of the Canada Revenue Agency
and the Minister of National Revenue

I have audited the statement of administered assets and liabilities of the Canada Revenue Agency as at 31 March 2010 and the statements of administered revenues and pension contributions, administered expenses and recoveries and administered cash flows for the year then ended. This financial information is the responsibility of the Agency's management. My responsibility is to express an opinion on this financial information based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In my opinion, these statements present fairly, in all material respects, the administered assets and liabilities of the Canada Revenue Agency as at 31 March 2010 and the results of its administered operations and its administered cash flows for the year then ended in accordance with the accounting policies set out in Note 2 to the statements.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
23 August 2010

CANADA REVENUE AGENCY
STATEMENT OF ADMINISTERED ASSETS AND LIABILITIES

as at March 31
(in thousands of dollars)

	2010	2009
ADMINISTERED ASSETS		
Cash on hand	4,910,588	4,857,057
Amounts receivable from taxpayers (Note 3)	67,437,568	70,147,779
Amounts receivable under the Tobacco civil settlements (Note 4)	647,811	699,900
TOTAL ASSETS	**72,995,967**	**75,704,736**
ADMINISTERED LIABILITIES		
Amounts payable to taxpayers (Note 5)	48,254,613	50,850,197
Amounts payable to provinces (Note 6)	685,239	708,521
Deposit accounts (Note 7)	99,444	107,804
	49,039,296	51,666,522
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others (Note 8)	23,956,671	24,038,214
TOTAL LIABILITIES	**72,995,967**	**75,704,736**

Contingent liabilities (Note 9)

The accompanying notes form an integral part of these financial statements.

Approved by:

Linda Lizotte-MacPherson
Commissioner and
Chief Executive Officer

Susan J. McArthur
Director and
Chair, Board of Management

CANADA REVENUE AGENCY
STATEMENT OF ADMINISTERED REVENUES AND PENSION CONTRIBUTIONS

for the year ended March 31
(in thousands of dollars)

	2010	2009
Federal administered revenues		
Income Tax Revenues		
Personal and trust	104,053,792	116,124,037
Corporate	30,361,042	29,475,891
Non-resident tax withholdings	5,293,543	6,297,910
	139,708,377	151,897,838
Other Taxes, Duties and Charges		
Goods and Services Tax (Note 10)	11,847,142	9,520,763
Energy taxes	5,149,570	5,126,184
Other Excise taxes and duties	3,066,948	2,984,023
Miscellaneous charges (Note 11)	602,053	599,846
	20,665,713	18,230,816
Total Tax Revenues	160,374,090	170,128,654
Employment Insurance Premiums	17,120,840	17,217,052
Interest, penalties and other revenues (Note 12)	3,484,719	5,249,952
Revenues Administered on behalf of the Government of Canada	**180,979,649**	**192,595,658**
Interest expense	(523,914)	(1,839,418)
Net Revenues Administered on behalf of the Government of Canada	**180,455,735**	**190,756,240**
Provincial and Territorial Governments and First Nations administered revenues		
Income Tax Revenues		
Personal and trust	47,059,646	50,505,062
Corporate (Note 13)	11,930,666	7,963,465
	58,990,312	58,468,527
Provincial portion of Harmonized Sales Tax	2,912,579	956,460
Other revenues (Note 14)	251,835	767,855
Revenues Administered on behalf of Provincial and Territorial Governments and First Nations	**62,154,726**	**60,192,842**
Pension Contributions, Interest and Penalties Administered on behalf of the Canada Pension Plan (Note 15)	**36,365,844**	**36,545,498**
Total Administered Revenues and Pension Contributions	**278,976,305**	**287,494,580**
Other revenues paid or payable directly to provinces as received by the CRA (Note 6 and Note 14)	(230,457)	(751,634)
Total Net Administered Revenues and Pension Contributions	**278,745,848**	**286,742,946**

The accompanying notes form an integral part of these financial statements.

CANADA REVENUE AGENCY
STATEMENT OF ADMINISTERED EXPENSES AND RECOVERIES

for the year ended March 31
(in thousands of dollars)

	2010	2009
Federal administered expenses		
Child tax benefits	9,752,506	9,367,790
Universal child care benefits	2,587,264	2,532,532
Children's special allowances	215,264	211,848
Relief for heating expenses	516	871
Energy cost benefits	13	489
Transfers to provinces for Softwood Lumber products export charge	205,545	180,495
Provision for doubtful accounts (Note 3)	2,847,076	3,149,498
Federal administered recoveries		
Old Age Security benefits	(954,785)	(949,595)
Employment Insurance benefits	(217,963)	(179,009)
Net Expenses and Recoveries Administered for the Federal Government	**14,435,436**	**14,314,919**
Provincial and Territorial administered expenses		
Family benefit programs	921,234	473,835
Ontario senior homeowners' property tax credit	183,226	72,542
British Columbia low income climate action tax credit	157,601	107,696
Sales tax credits	112,077	98,083
British Columbia climate action dividend	5,958	12,064
Net Expenses Administered for Provinces and Territories	**1,380,096**	**764,220**
Provision for Doubtful Accounts Administered for the Canada Pension Plan (Note 3)	**89,307**	**39,107**
Total Net Administered Expenses and Recoveries	**15,904,839**	**15,118,246**

The accompanying notes form an integral part of these financial statements.

CANADA REVENUE AGENCY
STATEMENT OF ADMINISTERED CASH FLOWS

for the year ended March 31
(in thousands of dollars)

	2010	2009
Total Net Administered Revenues and Pension Contributions	278,745,848	286,742,946
Total Net Administered Expenses and Recoveries	(15,904,839)	(15,118,246)
Change in administered assets and liabilities:		
Cash on hand	(53,531)	615,550
Amounts receivable from taxpayers net of allowance for doubtful accounts	2,710,211	(5,620,734)
Amounts receivable under the Tobacco civil settlements	52,089	(699,900)
Amounts payable to taxpayers	(2,595,584)	1,852,969
Amounts payable to provinces	(23,282)	386,424
Deposit accounts	(8,360)	4,736
Net Cash Deposited in the Consolidated Revenue Fund of the Government of Canada	**262,922,552**	**268,163,745**
Consisting of:		
Cash deposits to the Consolidated Revenue Fund	358,440,874	365,536,178
Cash refunds/payments from the Consolidated Revenue Fund	(95,518,322)	(97,372,433)
Net Cash Deposited in the Consolidated Revenue Fund of the Government of Canada	**262,922,552**	**268,163,745**

The accompanying notes form an integral part of these financial statements.

CANADA REVENUE AGENCY
NOTES TO THE FINANCIAL STATEMENTS – ADMINISTERED ACTIVITIES

1. Authority and objectives

The Canada Revenue Agency (the "Agency") is an agent of Her Majesty in right of Canada under the *Canada Revenue Agency Act*. The Agency is a departmental corporation named in Schedule II of the *Financial Administration Act* and reports to Parliament through the Minister of National Revenue.

The mandate of the Agency is to support the administration and enforcement of tax legislation as well as other related legislation. The Agency provides support, advice and services by:

(a) supporting the administration and enforcement of the program legislation;

(b) implementing agreements between the Government of Canada or the Agency and the government of a province, territory or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;

(c) implementing agreements or arrangements between the Agency and departments or agencies of the Government of Canada to carry out an activity or administer a program; and

(d) implementing agreements between the Government of Canada and First Nations governments to administer a tax.

The Agency collects revenues, including income and sales taxes and Employment Insurance (EI) premiums, administers tax legislation, delivers a number of social benefit programs to Canadians for the federal government, as well as for provincial, territorial, and First Nations governments and collects amounts for other groups or organizations, including Canada Pension Plan (CPP) contributions. It is responsible for the administration and enforcement of the following acts or parts of acts: the *Air Travellers Security Charge Act*, the *Canada Revenue Agency Act*, the *Children's Special Allowances Act*, Part V.1 of the *Customs Act*, section 2 of the *Energy Costs Assistance Measures Act*, the *Excise Act*, the *Excise Tax Act* (including the Goods and Services Tax (GST) and the Harmonized Sales Tax (HST) except for GST/HST on imported goods), the *Excise Act, 2001*, the *Income Tax Act*, the *Softwood Lumber Products Export Charge Act, 2006*, the *Universal Child Care Benefit Act*, and others including various provincial acts.

In the province of Quebec, the Ministère du Revenu du Québec (MRQ) acts as an agent of the Agency for the administration and enforcement of the GST. The Agency monitors cash transfers made by the MRQ, reports the GST revenues administered on its behalf, and transfers funds out of the Consolidated Revenue Fund to the MRQ for the issuing of refunds.

The Agency's mandate regarding the administration of customs legislation is limited to the collection functions under Part V.1 of the *Customs Act*. As well, the Agency provides to Human Resources and Skills Development Canada (HRSDC) collection services for certain accounts receivable under various acts.

2. Summary of significant accounting policies

The financial statements - Agency Activities include those operational revenues and expenses, which are managed by the Agency and utilized in running the organization. Tax-related assets, liabilities, revenues and expenses are excluded from those financial statements because they can only accrue to a government, not the tax agency that administers those transactions. The purpose of these Administered Activities statements is to present information about the tax-related revenues, expenses, assets, and liabilities that CRA administers on behalf of the federal government, provincial and territorial governments, First Nations and other organizations.

As required by section 88(2)(a) of the *Canada Revenue Agency Act*, CRA reports against accounting principles that are consistent with those applied in the preparation of the financial statements of the Government of Canada. As such, the CRA Administered Activities stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles. A summary of the significant accounting policies follows:

(a) Revenue and Pension Contributions recognition

Revenues and pension contributions are recognized in the year in which the event that generates the revenue or the pension contribution occurs. The following policies are applied for specific streams:

(i) Income taxes, Canada Pension Plan contributions, and Employment Insurance premiums:

Income tax revenues are recognized when the taxpayer has earned the income subject to the tax. Income earned is determined net of tax deductions and credits allowed under the *Income Tax Act*, including refundable taxes resulting from current year activity. Canada Pension Plan (CPP) contributions are recognized when the employee or the self-employed person has earned pensionable income. Employment Insurance (EI) premiums are recognized as revenue when the employee has earned insurable earnings.

These revenues and pension contributions are measured from amounts assessed/reassessed and from estimates of amounts not yet assessed/reassessed based on cash received that relates to the fiscal year ended March 31. Revenues and pension contributions for the fiscal year also include adjustments between the estimated revenues of previous years and actual amounts, as well as revenues from reassessments relating to prior years. An additional estimate of future reassessments is only recorded when it can be reliably determined. At the present time, this is limited to cases where amounts for taxes previously assessed are under objection or are being appealed to various courts.

Reassessments include changes made to previously assessed taxes payable at the request of the taxpayer, for example to claim a subsequent loss carry-back, or are initiated by the Agency as a result of applying reporting compliance procedures such as taxpayer audits.

(ii) Other taxes, duties and charges:

Goods and Services Tax (GST) and Harmonized Sales Tax (HST) revenues on domestic goods and services are recognized at the time of the sale of goods or the provision of services. Revenues are reported net of Input Tax Credits (ITC), GST rebates and the GST quarterly tax credit. ITC's are the recovery of GST/HST paid or owed on purchases related to domestic and imported commercial activities of the taxpayer. The GST quarterly tax credit for low income individuals and families is recorded in the period to which it relates. It is intended to offset the cost of the tax for low income individuals and families.

For Excise taxes, revenue is recognized when a taxpayer sells goods taxable under the *Excise Tax Act*. For Excise duties, revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act* and the *Excise Act, 2001*. These revenues are measured from amounts assessed, and from estimates of amounts not yet assessed based on cash received that relate to the fiscal year ended March 31. Miscellaneous charges are recognized as revenue when they are earned by the Agency.

(iii) Interest, penalties and other revenues:

Interest, penalties and other revenues are recorded when earned by the Agency, except for the Nova Scotia worker's compensation which is recorded as revenue when payments are received from employers. All interest and penalty revenues are reported as revenues administered for the federal government as per the terms of the tax collection agreements with the provinces and territories. Interest and penalties are recorded net of amounts waived under the various tax acts.

(iv) Assessment definition:

An assessment (or reassessment) of tax is defined as all decisions and other steps made or taken by the Minister of National Revenue and officials of the Agency under the federal, provincial and territorial acts or sections of the acts administered by the Agency to determine tax payable by taxpayers. When verifying a taxpayer's return, the Agency uses applicable provisions of the various tax acts it administers as well as other internally developed criteria which are designed to substantially meet the provisions of these acts.

(v) Completeness of tax revenues:

The Canadian tax system is predicated on self-assessment where taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The Agency has implemented systems and controls in order to detect and correct situations where taxpayers are not complying with the various acts it administers. These systems and controls include performing audits of taxpayer records where determined necessary by the Agency. Such procedures cannot be expected to identify all sources of unreported income or other cases of non-compliance with tax laws. The Agency is unable to estimate the amount of unreported tax.

(b) Expenses

(i) Interest expense:

The Agency incurs interest expenses as a result of late refund payments. These are largely due to the resolution of long standing corporate tax files in favour of the taxpayer. Interest accrues from the date that the tax installment was initially paid to the date that the case is resolved. The Agency records the interest expense in the fiscal year to which it relates.

(ii) Administered expenses:

Expenses relating to child tax benefits, universal child care benefits, energy cost benefits, children's special allowances, relief for heating expenses and provincial and territorial administered expenses are recorded in the year to which they relate based on the period in which the recipients were determined to be entitled to receive the benefit or the allowance. Transfers to provinces for softwood lumber products export charge are recorded as an expense in the same year as the related softwood lumber products export charge revenues are recognized.

(iii) Administered recoveries:

Recoveries of Old Age Security and Employment Insurance benefits are recognized when assessed, with an estimate for amounts not yet assessed. Only recoveries assessed through the personal income tax system are reported by the Agency. Recoveries determined by other federal government departments are not reported in these financial statements.

(c) Cash on hand

Cash on hand represents amounts received in the Agency's offices or by agents of the Agency as at March 31 but not yet deposited to the credit of the Consolidated Revenue Fund of the Government of Canada.

(d) Amounts receivable from taxpayers

Amounts receivable from taxpayers represent taxes, interest and penalties and other revenues assessed or estimated by the Agency but not yet collected. A significant portion of the receivable balance is due to the recording of accrued receivables, which relate to the current fiscal year but are not due to be paid by taxpayers until the next fiscal year.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts reflects management's best estimate of the collectability of amounts assessed, including the related interest and penalties, but not yet paid. The allowance for doubtful accounts has two components. A general allowance is calculated based on the age of the accounts. A specific allowance is calculated based on an annual review of all accounts over $10 million.

The allowance for doubtful accounts is adjusted by an annual provision for doubtful accounts and is reduced by amounts written off as uncollectible during the year. The annual provision is reported in the Statement of Administered Expenses and Recoveries. Except for the portion related to CPP contributions, which is charged to the CPP Account, the provision is charged to expenses administered for the federal government as it assumes all collection risks, as per the terms of the tax collection agreements with the provinces, territories and First Nations.

(f) Amounts payable to taxpayers

Amounts payable to taxpayers represent refunds and related interest assessed, or estimated by the Agency, not paid as at March 31. A significant portion of the payable is due to the recording of accrued payables, which relate to the current year but are not due for payment until the next fiscal year. They include refunds resulting from assessments completed after March 31, and estimates of refunds for personal and corporate income tax not yet assessed.

(g) Contingent liabilities

Contingent liabilities are potential liabilities resulting from, for example, previously assessed taxes recorded as revenue, which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or to fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and the revenues are reduced. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(h) Measurement uncertainty

The preparation of these statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses and recoveries reported. Estimates are used to record unassessed tax revenues and the related amounts receivable and payable, as well as the allowance for doubtful accounts. Actual results could differ from the estimates and any difference would be recorded in the year the actual amounts are determined. The effect of changes to such estimates and assumptions in future periods could be significant. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable.

3. Amounts receivable from taxpayers

The following table presents details of the amounts receivable from taxpayers as reported in the Statement of Administered Assets and Liabilities. These amounts include related interest and penalties receivable. Amounts receivable from individuals and employers include Canada Pension Plan contributions and Employment Insurance premiums as applicable.

	2010			2009
	Gross	**Allowance for Doubtful Accounts**	**Net**	**Net**
		(in thousands of dollars)		
Income Taxes				
Individuals	40,303,201	(4,925,575)	35,377,626	37,877,527
Employers	15,072,876	(821,743)	14,251,133	13,678,452
Corporations	10,713,832	(1,849,061)	8,864,771	10,393,186
Non-Residents	1,182,413	(142,074)	1,040,339	1,083,864
GST/HST	8,993,661	(2,093,002)	6,900,659	6,190,969
Excise taxes and duties and miscellaneous charges	1,035,188	(32,148)	1,003,040	923,781
Total	**77,301,171**	**(9,863,603)**	**67,437,568**	**70,147,779**

Changes in the allowance for doubtful accounts are as follows:

	Allowance for Doubtful Accounts March 31, 2009	**Provision for Doubtful Accounts**	**Write-Offs**	**Allowance for Doubtful Accounts March 31, 2010**
		(in thousands of dollars)		
Income Taxes				
Individuals	(4,355,642)	(1,672,832)	1,102,899	(4,925,575)
Employers	(725,057)	(323,392)	226,706	(821,743)
Corporations	(1,770,430)	(507,949)	429,318	(1,849,061)
Non-Residents	(151,369)	27,555	(18,260)	(142,074)
GST/HST	(2,291,577)	(459,962)	658,537	(2,093,002)
Excise taxes and duties and miscellaneous charges	(53,006)	197	20,661	(32,148)
Total	**(9,347,081)**	**(2,936,383)**	**2,419,861**	**(9,863,603)**

The provision of $2,936 million ($3,189 million in 2009) reported above includes an amount of $2,847 million ($3,150 million in 2009) recorded as an expense administered on behalf of the federal government (see Note 2 (e)) and $89 million ($39 million in 2009) charged against expenses administered on behalf of the Canada Pension Plan.

4. Amounts receivable under the Tobacco civil settlements

On July 31, 2008, the federal and provincial governments entered into civil settlement agreements with two tobacco companies to resolve potential civil claims. Under the terms of the agreements, payments totalling $850 million are to be made to Canada, for Canada and the provinces. The federal government and provincial governments' share of this amount are $325 million and $525 million respectively. The two companies also pleaded guilty in court to violation of the *Excise Act*. The fines imposed total $300 million and were paid to Canada in 2008-2009.

The following table presents details of the amounts receivable related to the Tobacco civil settlement agreements:

	Government of Canada share	Provincial share	Total
	(in thousands of dollars)		
Balance, beginning of year	324,900	375,000	699,900
Amounts received during the year	(10,000)	(42,089)	(52,089)
Balance, end of year	**314,900**	**332,911**	**647,811**

In accordance with the settlement agreements, the amounts receivable are expected to be fully paid by 2023. Up to $650 million is expected to be received in the first 10 years of the agreements and about $50 million in the following five years. These amounts are presented at the nominal value.

On April 13, 2010, the federal, provincial and territorial governments entered into civil settlement agreements with two other tobacco companies to resolve civil claims or potential civil claims. Under the terms of the agreements, payments totalling $325 million were made to Canada, for Canada, the provinces and territories on the same day. The federal government and the provincial and territorial governments' share of this amount are $41 million and $284 million respectively. One of these companies also pleaded guilty in court to violation of the *Excise Act*, the fine imposed totalled $150 million. The other company pleaded guilty to a *Criminal Code* of Canada conspiracy and was fined $75 million. Both fines were paid to Canada on April 13, 2010. These amounts are not reflected in the financial statements.

5. Amounts payable to taxpayers

The following table presents details of the amounts payable to taxpayers as reported in the Statement of Administered Assets and Liabilities:

	2010	2009
	(in thousands of dollars)	
Individuals	31,290,794	30,399,352
Corporations	10,670,363	13,217,459
GST/HST	6,195,418	7,156,277
Employers and Non-Residents	50,959	48,431
Excise taxes and duties and miscellaneous charges	47,079	28,678
Total	**48,254,613**	**50,850,197**

6. Amounts payable to provinces

The following table presents details of amounts payable to provinces as reported in the Statement of Administered Assets and Liabilities:

	2010	2009
	(in thousands of dollars)	
Provincial share of the Tobacco civil settlements	332,911	375,000
Softwood Lumber Products Export Charge net of costs incurred by the Federal Government	38,653	13,225
Amounts payable to Quebec:		
Personal income tax witholdings	239,426	210,567
GST refunds issued by Quebec	71,155	77,119
Nova Scotia worker's compensation	493	773
Ontario corporate tax and Opportunities Fund	2,601	31,837
Total	**685,239**	**708,521**

It should be noted that the Canada Revenue Agency is acting as an agent for the provinces under the Tobacco civil settlements. CRA's liability to the provinces for their expected share of the settlement amounts is limited to the amounts that will be ultimately collected from the tobacco companies.

Amounts payable to provinces, territories and other organizations, which are settled by other departments such as the Department of Finance for Provincial, Territorial, and First Nations taxes, are not recorded in these financial statements because these amounts are outside of the Agency's responsibility.

7. Deposit accounts

Deposit accounts are established to record cash and securities required to guarantee payment of GST as it relates to non-resident registrants and certain licensees as it relates to excise taxes, which are both payable pursuant to the *Excise Tax Act*. The following table presents activity on the deposit accounts as reported in the Statement of Administered Assets and Liabilities:

	2010	2009
	(in thousands of dollars)	
Balance, beginning of year	108,198	104,791
Receipts and other credits	29,752	41,687
Payments and other charges	(38,117)	(38,280)
Balance, end of the year	**99,833**	**108,198**
Securities held in trust	(389)	(394)
Net deposit accounts	**99,444**	**107,804**

8. Net amount due to the Consolidated Revenue Fund

The net amount due to the Consolidated Revenue Fund (CRF) on behalf of the Government of Canada and others is the difference between administered assets (taxes not yet received and/or deposited in the CRF) and other administered liabilities payable by the Agency out of the CRF.

The net cash deposited in the CRF of the Government of Canada includes amounts received on behalf of the federal government, provinces, territories, and other organizations by the Agency and deposited in the CRF, less refunds and payments issued from the CRF during the year.

The change in the net amount due to the CRF during the fiscal year is presented in the table below:

	2010	2009
	(in thousands of dollars)	
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the beginning of the year	24,038,214	20,577,259
Total net administered revenues and pension contributions	278,745,848	286,742,946
Total net administered expenses and recoveries	(15,904,839)	(15,118,246)
Net cash deposited in the Consolidated Revenue Fund of the Government of Canada	(262,922,552)	(268,163,745)
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the end of the year	**23,956,671**	**24,038,214**

9. Contingent liabilities

Contingent liabilities include previously assessed taxes where amounts are under objection or are being appealed to the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada. As at March 31, 2010, an amount of $17,102 million was under objection at the Agency level ($13,778 million for 2009) and an amount of $3,509 million was being appealed to the courts ($2,429 million for 2009). The Agency has recorded, in the amounts payable to taxpayers or in reduction of the amounts receivable from taxpayers as applicable, the estimated amount of objections or appeals that are considered likely to be lost and that can be reasonably estimated.

10. Goods and Services Tax (GST) revenues

The GST reported on the Statement of Administered Revenues and Pension Contributions is net of Input Tax Credits (ITC), rebates, the provincial portion of HST and the GST quarterly tax credit for low income individuals and families administered by the Agency. It does not include GST revenues on imported goods of $16,247 million in 2010 ($17,500 million in 2009), which are administered and reported by the Canada Border Services Agency (CBSA). The Canada Revenue Agency has sole responsibility for the administration of all ITC including those claimed on imported goods. ITC relating to GST on imports are not accounted for separately from ITC relating to GST on domestic transactions.

The following table presents details of the GST revenues administered by the Agency for the Government of Canada as reported in the Statement of Administered Revenues and Pension Contributions:

	2010	2009
	(in thousands of dollars)	
GST revenues net of ITC	20,311,732	17,813,043
GST rebates	(4,795,474)	(4,724,696)
GST quarterly tax credits for low income individuals and families	(3,669,116)	(3,567,584)
GST net revenues	**11,847,142**	**9,520,763**

The amounts of GST net revenues reported above are net of receipts and disbursements resulting from the processing of GST returns. During the period, the Agency has processed $44,384 million in receipts ($47,111 million in 2009) and $31,474 million in disbursements ($36,533 million in 2009) into or from the Consolidated Revenue Fund.

11. Miscellaneous charges

The following table presents details of miscellaneous charges administered by the Agency for the federal government as reported in the Statement of Administered Revenues and Pension Contributions:

	2010	2009
	(in thousands of dollars)	
Softwood Lumber Products Export Charge	227,202	209,744
Air Travellers Security Charge	374,468	386,461
Charge on Refund of Duty Deposits for Softwood Lumber	383	3,641
Total	**602,053**	**599,846**

12. Interest, penalties, and other revenues

Various tax legislation gives the Agency the authority, under certain conditions, to collect interest and penalties related to taxes due and regulations not met by taxpayers. The Agency has the authority to waive the interest and penalties that would normally be charged under certain circumstances such as Agency processing delays, financial hardship by taxpayers, or other extraordinary circumstances.

Other revenues consist of miscellaneous fees and charges such as court fines and administration charges for dishonoured payments instruments.

The following table presents details on interest, penalties and other revenues administered by the Agency for the federal government as reported in the Statement of Administered Revenues and Pension Contributions:

	2010	2009
	(in thousands of dollars)	
Gross interest and penalties	3,703,146	4,907,235
Interest and penalties waived under authority of the *Income Tax Act*	(233,264)	(295,756)
Net interest and penalties	**3,469,882**	**4,611,479**
Tobacco civil settlements	-	324,900
Fines imposed under the *Excise Act*	11,214	300,000
Other revenues	3,623	13,573
Interest, penalties and other revenues	**3,484,719**	**5,249,952**

13. Corporate income tax administered for the provinces

Under the Tax Collection Agreement with the province of Ontario, the Canada Revenue Agency is administrating Ontario's corporate income tax, capital tax, corporate minimum tax and the special additional tax on life insurance corporations for taxation years ending after December 31, 2008. The Agency recorded corporate tax administered for the province of Ontario as well as other provinces, except Quebec and Alberta, for which it administers taxes in these financial statements in accordance with the accounting policies described at Note 2.

14. Other revenues

The following table presents details of other revenues administered by the Agency for Provincial and Territorial Governments and First Nations as reported in the Statement of Administered Revenues and Pension Contributions. Revenues that are directly paid or payable to the provinces as received by the CRA, such as the Tobacco civil settlement amounts and the Nova Scotia workers' compensation amounts, are flow-through collection activities rather than payments made under legislative authority. These amounts are included as administered revenue and then subsequently deducted from the Statement of Administered Revenues and Pension Contributions.

	2010	2009
	(in thousands of dollars)	
Tobacco civil settlements	-	525,000
Nova Scotia workers' compensation	230,279	226,518
Ontario Opportunities Fund	178	116
Total revenues paid or payable directly to provinces as received by the CRA	**230,457**	**751,634**
First Nations Sales Tax and GST	19,729	14,803
First Nations Income Tax	1,649	1,418
Total	**251,835**	**767,855**

15. Pension Contributions, Interest and Penalties Administered on behalf of the Canada Pension Plan

The following table presents details of the transactions administered by the Agency on behalf of the Canada Pension Plan (CPP) as reported in the Statement of Administered Revenues and Pension Contributions:

	2010	2009
	(in thousands of dollars)	
Pension contributions	36,195,676	36,365,793
Interest and penalties	170,168	179,705
Total	**36,365,844**	**36,545,498**

16. Related party transactions

The Agency is related in terms of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Agency deposits all monies received to the CRF, the Department of Finance makes payments out of the CRF to provinces, territories, and other organizations for revenue amounts such as provincial, territorial, and First Nations taxes, for which the Agency administers the revenue collection process. Old Age Security benefit recoveries, Canada Pension Plan contributions, net of overpayments refunded by the Agency, and Employment Insurance premiums are credited to Human Resources and Skills Development Canada (HRSDC) which administers the Old Age Security program, the Canada Pension Plan, and the Employment Insurance Account. The Agency also administers a refund set-off program by which tax refunds of individuals may be used to pay debts owed by clients under federal, provincial or territorial programs.

The Agency provides collection services to CBSA under Part V.1 of the *Customs Act*. As well, the Agency provides to HRSDC collection services for certain accounts receivable under the *Canada Education Savings Act*, the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, the *Canada Pension Plan* and the *Old Age Security Act*. The related payments are paid directly to either CBSA or HRSDC who are responsible for their deposits to the CRF, as well as their accounting and reporting. These payments are not recorded in the Agency's accounts.

Employment Insurance premiums administered on behalf of the Federal Government include the employer's share paid by the Federal Government. GST declared to the Agency includes the GST paid by the Federal Government to its suppliers on domestic purchases. GST collected by other Federal Government departments is deposited to the CRF, declared to the Agency, and are included in the GST domestic revenues.

17. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

FINANCIAL STATEMENTS DISCUSSION AND ANALYSIS – ADMINISTERED ACTIVITIES

INTRODUCTION

The Financial Statements - Administered Activities reflect the total assets and liabilities, tax and non-tax revenues, expenses and recoveries, and cash flows administered by the Canada Revenue Agency on behalf of the Government of Canada, provinces, territories, First Nations, and other government organizations. Tax revenues are recognized on an accrual basis and are net of the applicable deductions and credits allowed under various Acts.

TAX REVENUES

The Canada Revenue Agency collects the majority of federal tax revenues. However, other agencies and departments, such as the Canada Border Services Agency, account for the balance of total federal revenues. For further information on revenue collected by the Government of Canada as a whole, please refer to the Annual Financial Report of the Government of Canada, available at **www.fin.gc.ca/purl/afr-eng.asp**.

REVENUES ADMINISTERED ON BEHALF OF THE GOVERNMENT OF CANADA

Federal Administered Revenues ($000)	**2009-2010**	**2008-2009**	**+/-**	**%**
Income Tax				
Personal and trust	104,053,792	116,124,037	(12,070,245)	-10.4%
Corporate	30,361,042	29,475,891	885,151	3.0%
Non-resident tax withholdings	5,293,543	6,297,910	(1,004,367)	-15.9%
	139,708,377	151,897,838	(12,189,461)	-8.0%
Other Taxes, Duties and charges				
Goods and Services Tax	11,847,142	9,520,763	2,326,379	24.4%
Energy Taxes	5,149,570	5,126,184	23,386	0.5%
Other Excise taxes and duties	3,066,948	2,984,023	82,925	2.8%
Miscellaneous charges	602,053	599,846	2,207	0.4%
	20,665,713	18,230,816	2,434,897	13.4%
Employment Insurance Premiums	17,120,840	17,217,052	(96,212)	-0.6%
Interest, penalties, and other revenues	3,484,719	5,249,952	(1,765,233)	-33.6%
Interest expense	(523,914)	(1,839,418)	1,315,504	-71.5%
	20,081,645	20,627,586	(545,941)	-2.6%
Net Revenues Administered on behalf of the Government of Canada	**180,455,735**	**190,756,240**	**(10,300,505)**	**-5.4%**

Net Revenues were $180.5 billion in 2009-2010, some $10.3 billion lower than in 2008-2009. All administered revenues were higher except Personal and Trust Taxes, Non-Resident Tax Withholdings, Employment Insurance Premiums, and Interest, penalties, and other revenues.

PERSONAL INCOME TAX

Personal Income Tax revenues decreased by $12.0 billion, or 10.4%. This decrease reflects the impact of the Economic Action Plan and tax relief measures announced in Budget 2009, along with the downturn in the economy. The recession and slow recovery afterwards triggered lower employment, reduced income, and losses carried back to recover prior years' taxes.

CORPORATE INCOME TAX

Corporate Income Tax revenues increased by $885.1 million or 3.0%. This increase reflects a growth in tax revenues from the financial and resource sectors, and a reduction of refunds stemming from losses carried back from the previous year's level. This was partially offset by the general impact of the economic downturn and a drop in corporate profits.

NON-RESIDENT TAX WITHHOLDINGS

Non-Resident Tax Withholdings revenues decreased by $1.0 billion or 15.9%. This decline stems from the global economic downturn, lower interest rates, and reduced dividend payouts.

GOODS AND SERVICES TAX

GST revenues increased by $2.3 billion or 24.4%. This increase was due to a decline in deductions claimed, partially offset by a smaller drop in gross revenues. The reduction in business output and inventory levels was deeper than the decline in sales, especially for large ticket items, resulting in net GST growth.

ENERGY TAXES

Energy taxes increased by $23.4 million or 0.5%. This increase reflects a moderate growth in demand for gasoline, partially offset by a drop in the consumption of diesel fuel.

OTHER EXCISE TAXES AND DUTIES

Other Excise taxes and duties increased by $82.9 million or 2.8%. This increase is mainly due to higher production of tobacco products.

MISCELLANEOUS CHARGES

Miscellaneous charges increased by $2.2 million or 0.4%. The increase in Softwood Lumber Products Export Charges was offset by a decline in Air Traveller Security Charges (ATSC). ATSC was down due to a decline in air travel.

EMPLOYMENT INSURANCE PREMIUMS

Employment Insurance premiums decreased by $96.2 million or 0.6%. This was due to a decline in Source Deduction revenues, stemming from lower employment, offset by a nominal increase in the maximum contribution ceiling.

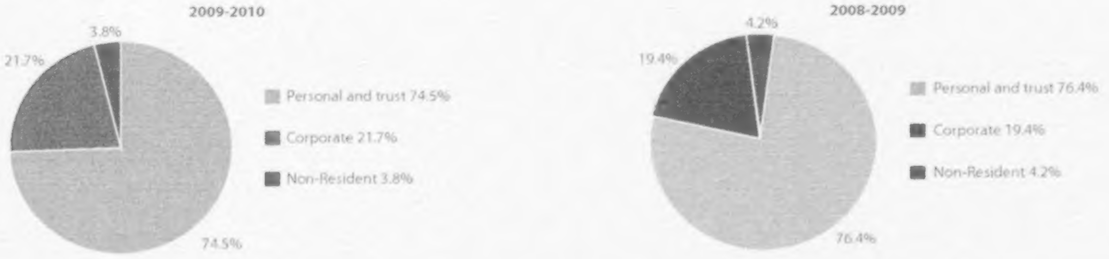
INTEREST, PENALTIES, AND OTHER REVENUES

Interest, penalties, and other revenues fell by $1.8 billion or 33.6%. This decrease was due to a two percentage point reduction in prescribed interest rates as well as large tobacco settlements and court fines in 2008-2009.

INTEREST EXPENSE

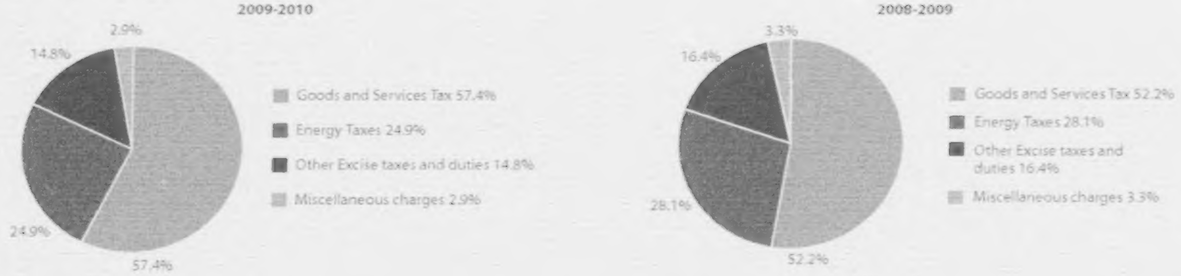
Interest Expense fell by $1.3 billion or 71.5%. The decrease is due in part to the cut in the prescribed rate along with a decline in corporate refunds.

Figure 26 Direct Tax Revenues



As shown in Figure 26, the largest component of Direct Tax Revenues is Personal and Trust Income Tax, followed by Corporate Income Tax and Non-Resident Tax Withholdings. The proportion of Personal Income Tax has decreased from the previous year due to the significant decline in Personal Income Tax revenues.

Figure 27 Indirect Tax Revenues



As shown in Figure 27, the largest component of Indirect Tax Revenues is GST, followed by Energy taxes, Other Excise taxes and duties, and Miscellaneous charges. The proportion of GST has increased due to the strong growth in net GST assessed.

REVENUES ADMINISTERED ON BEHALF OF THE PROVINCIAL, TERRITORIAL GOVERNMENTS, FIRST NATIONS, AND THE CANADA PENSION PLAN

Provincial and Territorial Governments, First Nations, and Canada Pension Plan ($000)	**2009-2010**	**2008-2009**	**+/-**	**%**
Income Tax – Personal and trust	47,059,646	50,505,062	(3,445,416)	-6.8%
Income Tax – Corporate	11,930,666	7,963,465	3,967,201	49.8%
Harmonized Sales Tax	2,912,579	956,460	1,956,119	204.5%
Other Revenues	251,835	767,855	(516,020)	-67.2%
Revenues Administered on behalf of Provincial and Territorial Governments and First Nations	62,154,726	60,192,842	1,961,884	3.3%
Pension Contributions, Interest and Penalties Administered on Behalf of the Canada Pension Plan	36,365,844	36,545,498	(179,654)	-0.5%

Provincial, Territorial, and First Nations revenues were $62.2 billion in 2009-2010, some $2.0 billion or 3.3% higher than in 2008-2009. Canada Pension Plan Revenues were $36.4 billion in 2009-2010; $179.7 million less than in 2008-2009.

INCOME TAX REVENUES – PERSONAL AND TRUST

Personal Income Tax revenues decreased by $3.4 billion, or 6.8%. The decrease stems from the downturn in the economy and, to a lesser degree, the impact of provincial fiscal measures. The recession triggered lower employment, reduced income, and large losses that resulted in repayments of prior years' taxes.

INCOME TAX REVENUES – CORPORATE

Corporate Income Tax revenues increased by $4.0 billion or 49.8%. This increase is due to the full integration of the harmonized corporate tax administration of Ontario. In addition there was a significant growth in revenues from certain sectors of the economy along with a reduction of refunds stemming from loss carryback applications experienced in 2008-2009. This was partially offset by the general impact of the economic downturn and a drop in corporate profits.

HARMONIZED SALES TAX (HST)

HST revenues increased by $2.0 billion or 204.5%. The increase was due to administrative changes within the federal government as the CRA and the Canada Border Services Agency portion of HST transfers to the Department of Finance have been changed from 67% and 33% to 100% and 0% respectively.

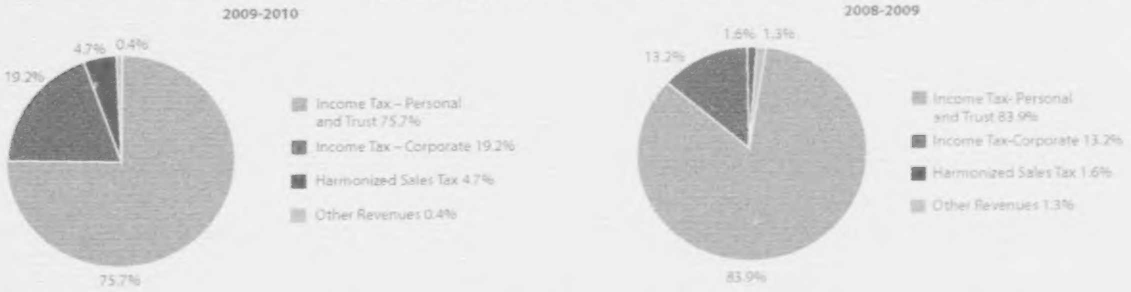
OTHER REVENUES

Other revenue decreased by $516 million or 67.2%, and is related to the tobacco civil settlements in 2008-2009.

REVENUES ADMINISTERED ON BEHALF OF THE CANADA PENSION PLAN

Canada Pension Plan revenues fell by $179.7 million or 0.5%. The nominal decline was due to lower employment income, offset in part by a higher annual contribution threshold.

Figure 28 Revenues Administered on behalf of the Provincial and Territorial Governments and First Nations



As shown in Figure 28, Personal and Trust Income Tax represented the largest component of revenues administered on behalf of the Provincial, Territorial governments, and First Nations. This is followed by Corporate Income Tax and Harmonized Sales Tax. The proportion of Personal Income Tax decreased from the previous year, due to full integration of the harmonized corporate tax administration for Ontario, lower Personal Income Tax revenues, and higher HST.

EXPENSES AND RECOVERIES ADMINISTERED ON BEHALF OF THE GOVERNMENT OF CANADA, PROVINCIAL, AND TERRITORIAL GOVERNMENTS

Administered Expenses and Recoveries ($000)	**2009-2010**	**2008-2009**	**+/-**	**%**
Federal Administered Expenses				
Child tax benefits	9,752,506	9,367,790	384,716	4.1%
Universal child care benefits	2,587,264	2,532,532	54,732	2.2%
Children's special allowances	215,264	211,848	3,416	1.6%
Relief for heating expenses	516	871	(355)	-40.8%
Energy cost benefits	13	489	(476)	-97.3%
Transfers to provinces for Softwood Lumber	205,545	180,495	25,050	13.9%
Provision for doubtful accounts	2,847,076	3,149,498	(302,422)	-9.6%
Total Federal Administered Expenses	15,608,184	15,443,523	164,661	1.1%
Federal Administered Recoveries				
Old Age Security benefits	(954,785)	(949,595)	(5,190)	0.5%
Employment Insurance Benefits	(217,963)	(179,009)	(38,954)	21.8%
Total Federal Administered Recoveries	(1,172,748)	(1,128,604)	(44,144)	3.9%
Net Expenses and Recoveries Administered for the Federal Government	14,435,436	14,314,919	120,517	0.8%
Provincial and Territorial Administered Expenses				
Family benefit programs	921,234	473,835	447,399	94.4%
British Columbia low income climate action tax credit	157,601	107,696	49,905	46.3%
Ontario senior homeowners' property tax grant	183,226	72,542	110,684	152.6%
Sales tax credits	112,077	98,083	13,994	14.3%
British Columbia climate action dividend	5,958	12,064	(6,106)	-50.6%
Net Expenses Administered for Provinces and Territories	1,380,096	764,220	615,876	80.6%
Provision for doubtful accounts Administered for the Canada Pension Plan	89,307	39,107	50,200	128.4%
Total Net Administered Expenses and Recoveries	15,904,839	15,118,246	786,593	5.2%

Net federal expenses and recoveries were $14.4 billion in 2009-2010, $120.5 million higher than in 2008-2009. Net Provincial and Territorial Expenses were $1.38 billion, $615.9 million higher than in 2008-2009.

FEDERAL ADMINISTERED EXPENSES

Federal Administered Expenses rose by $164.7 million or 1.1 %. This was largely as a result of higher Child Tax Benefits due to the indexation of benefits and an increase in the National Child Benefit Supplement (NCBS) due to a higher income threshold at which the NCBS is reduced. This was offset in part by a lower provision for doubtful accounts.

FEDERAL ADMINISTERED RECOVERIES

Federal Administered Recoveries rose by $44.1 million or 3.9%. This largely resulted from higher Employment Insurance recoveries, due to an increase in reassessments of prior taxation years.

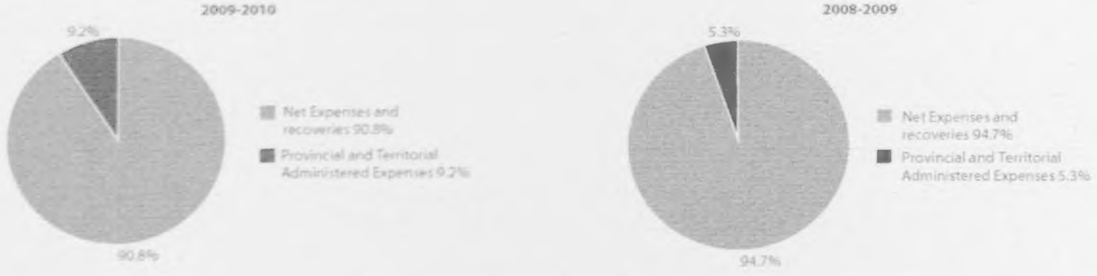
NET EXPENSES ADMINISTERED FOR PROVINCES AND TERRITORIES

Net Expenses Administered for Provinces and Territories increased by $615.9 million or 80.6 %. This increase was due to higher family benefit programs as a result of the implementation of additional entitlements for the Ontario Child Benefit, as well as due to improved entitlements in the Ontario Senior Homeowner's Property Tax Grant, in accordance with the 2009 Ontario Budget.

PROVISION FOR DOUBTFUL ACCOUNTS ADMINISTERED FOR THE CANADA PENSION PLAN

The provision for doubtful accounts administered for the Canada Pension Plan increased by $50.2 million or 128.4%. This increase was due to higher arrears and an increase in write-offs.

Figure 29 Expenses and Recoveries Administered on Behalf of the Government of Canada, Provincial, and Territorial Governments



As shown in Figure 29, Net Expenses and recoveries administered for the Federal Government made up most of the Expenses and Recoveries administered on behalf of the Government of Canada, Provincial, and Territorial Governments. The proportion of Federal Administered Expenses and recoveries has fallen due to higher provincial Family Benefit Programs.

ENTERPRISE RISK MANAGEMENT

The purpose of the Enterprise Risk Management (ERM) Program is to ensure that the Agency develops and implements a systematic, comprehensive approach to managing risks that is fully integrated into decision-making, planning and reporting processes and mechanisms.

Efforts are being made to align corporate risk management with the Agency's planning and resource allocation cycles. Furthermore, progress is being made to embed risk information and commitments in other key products and processes including the Corporate Business Plan, the Corporate Audit and Evaluation Plan, and the Executive Cadre's Accountability Regime. In addition, the Agency has also instituted a structured risk management training program for managers and executives.

In support of corporate risk management, the two key ERM products are the *Corporate Risk Inventory (CRI)* and the *CRA Risk Action Plan*. The CRI presents a strategic, high-level snapshot at a point-in-time of the Agency's risk status. The Agency's response to each risk in the CRI is captured in a companion document, the *CRA Risk Action Plan*.

PROGRAMS TO MITIGATE THE RISK OF NON-COMPLIANCE

Canada's tax system is based on self-assessment and voluntary compliance. It follows, then, that the principal business risk facing the Agency is that taxpayers will fail to voluntarily comply with Canada's tax laws.

Non-compliance is the failure, for whatever reason, to meet any of the following requirements:

- Registering when required (businesses)
- Filing returns on time
- Reporting complete and accurate information to determine tax liability, and
- Paying amounts owing when due.

Through its programs the CRA strives to maintain a presence across Canadian industries and taxpayer types in order to combat non-compliance through prevention, detection and deterrence. The CRA provides a range of information products and services to assist taxpayers and benefit recipients in complying with their obligations and in receiving their rightful share of entitlements. The CRA also administers a collection of programs aimed at making it more difficult to be non-compliant. However, achieving perfect compliance is not possible regardless of the amount of resources devoted to education and enforcement.

The CRA's priority initiatives to promote compliance and address non-compliance, including planned spending and expected results are identified annually in the Corporate Business Plan (CBP). The results achieved are reported in the CRA's Annual Report.

CANADA REVENUE AGENCY – UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FINANCIAL PERFORMANCE INFORMATION – PARLIAMENTARY APPROPRIATIONS

INTRODUCTION

This section of the *Annual Report to Parliament 2009-2010* provides the details of the Agency's resource management performance for the purpose of reporting to Parliament on the use of appropriations in 2009-2010. This complements the information provided in the spending profile sections under each Program Activity and satisfies the reporting requirements set for departmental performance reports.

FINANCIAL REPORTING METHODOLOGIES

The CRA's funding is provided by Parliament through annual appropriations (modified cash accounting basis) and, in this section, the CRA reports its expenditures and performance to Parliament, together with details on the management of Parliamentary appropriations on the same basis. In addition to the above reporting requirements, the CRA is also required to prepare its annual financial statements in accordance with the accounting principles applied in preparing the financial statements of the Government of Canada (full accrual accounting basis). Accordingly, the audited Statement of Operations - Agency Activities on page 146 includes certain items such as services received without charge from other government departments and federal agencies. A reconciliation can be found in Note 3b on page 153.

CRA FINANCIAL INFORMATION

Activities of the Agency

Canada Revenue Agency	**2009-2010** *(in thousands of dollars)*
Main Estimates[1]	4,387,974
Planned Spending[2]	4,387,974
Total Authorities[3]	4,586,160
Actual Spending	4,406,548

[1] Spending authorized by Parliament at the beginning of the fiscal year.

[2] Main Estimates authorities plus other amounts anticipated to be authorized during the fiscal year.

[3] Total spending authorized by Parliament during the fiscal year.

The Financial Statements - Agency Activities reports $3,985.2 million as total Parliamentary appropriations used (Note 3b on page 153 shows the reconciliation to the net cost of operations). The difference from the $4,406.5 million reported in this section is explained by three items reported in the Financial Statements - Administered Activities: the statutory disbursements to provinces under the *Softwood Lumber Products Export Charge Act, 2006*, $205.5 million; the Children's Special Allowance, $215.3 million; and the Relief for Heating Expenses, $0.5 million (part of Vote 1, Program Expenditures).

OVERVIEW

For 2009-2010, Parliament approved $4,388 million through the Main Estimates, as shown in CRA's *2009-2010 Report on Plans and Priorities*.

The 2009-2010 Main Estimates were adjusted to include:

- $147.1 million for the carryforward from 2008-2009;
- $70.9 million for maternity and severance payments;
- $9.1 million for increased Respendable Revenue mainly to provide services to Service Canada;
- $56.6 million for Collective Agreements;
- $12.3 million for measures arising from the 2009 Federal Budget in support of Canada's Economic Action Plan;
- $18.6 million transferred from Public Works and Government Services Canada for accommodation services;
- $11.0 million for the Government advertising programs;

- $1.6 million for Court Awards and Crown Assets Disposal;
- $0.9 million to increase Federal Public Service Student Employment;
- $6.3 million for the Financial Interoperability and Stewardship Initiative in support of the Corporate Administrative System
- $40.0 million for the Provincial Sales Tax Administration Reform; and
- $56.0 million for the employee benefits plan costs.

These increases were offset by the following reductions:

- $223.5 million for the statutory disbursements to Provinces under the *Softwood Lumber Products Export Charge Act, 2006*;
- $2.0 million for private collection agencies;
- $5.7 million for statutory Children's Special Allowance payments;
- $0.6 million for the Public Opinion Research;
- $0.2 million transferred to the Treasury Board Secretariat to support the National Managers' Community; and
- $0.2 million transferred to Foreign Affairs and International Trade to support the CRA staff located at missions abroad.

This resulted in total approved authorities of $4,586.2 million for 2009-2010, representing an in-year increase of 4.5% over the Main Estimates.

Of the $4,586.2 million total authority, CRA's actual spending totalled $4,406.5 million resulting in $179.6 million remaining unexpended at year-end. After deducting unused resources related to the proposed Offshore Trusts initiative, Accommodation and Real Property Services as well as costs for the Employee Benefits Plan associated with the conversion of Other Operating to Personnel costs, the remaining $150.3 million is available for use by the Agency in 2010-2011. This amount represents 3.3% of the total authority.

The $150.3 million carry forward to 2010-2011 will be directed primarily to selected priority investments related to:

- Major project and infrastructure spending (e.g., Compliance Systems Redesign, Tax Free Savings Account, Major Tenant Services and Information Technology Infrastructure);
- Special purpose funding (e.g., Provincial Sales Tax Administration Reform, Charities Partnership and Outreach Program, Ministère du revenu du Québec for the Administration of the GST);
- Various other operational and workload pressures.

REVENUES ADMINISTERED BY THE AGENCY

Total revenues administered by the CRA amount to some $279 billion in 2009-2010, a decrease of 3% from the $287.5 billion administered in 2008-2009.

	2008-2009	**2009-2010**
	(in thousands of dollars)	
Federal Government	190,756,240	180,455,735
Provincial, Territorial Governments and First Nations	60,192,842	62,154,726
Canada Pension Plan	36,545,498	36,365,844
Total	**287,494,580**	**278,976,305**

FINANCIAL PERFORMANCE TABLES

INTRODUCTION

The following tables provide financial information about the performance of the Agency during the 2009-2010 fiscal year. The tables compare Main Estimates and Planned Spending, as shown in the *2009-2010 Report on Plans and Priorities*, with total authorities at year-end and actual expenditures for the fiscal year.

The information is presented at the Agency level, the Program Activity level, as well as by authority and type of revenue and expense.

Financial Tables Index — Page

Performance Summary 192
Voted and Statutory Items 193
    Authorities approved after tabled Main Estimates 194

The following tables can be found on the Treasury Board of Canada Secretariat web site at: **http://publiservice.tbs-sct.gc.ca/dpr-rmr/2009-2010/index-eng.asp**.

- Sources of Respendable and Non-Respendable Non-Tax Revenue
  - Respendable Non-Tax Revenue
  - Non-Respendable Non-Tax Revenue
- User Fees/External Fees
  - *User Fees Act* – Advance Income Tax Ruling Fee
  - Policy on Service Standards for External Fees – Advance Income Tax Ruling Fee
  - *User Fees Act* – Taxation Statistical Analyses and Data Processing Fee
  - Policy on Service Standards for External Fees – Taxation Statistical Analyses and Data Processing Fee
  - *User Fees Act* – Access to Information Processing Fee
  - Policy on Service Standards for External Fees – Access to Information Processing Fee
- Details on Project Spending
- Details on Transfer Payment Programs
  - Children's Special Allowance Payments (Statutory)
  - Disbursements to Provinces under the *Softwood Lumber Products Export Charge Act, 2006* (Statutory)
- Reconciliation to the Statement of Operations

Performance Summary

(in thousands of dollars)	2008-2009 Actual[1]	2009-2010 Main Estimates	2009-2010 Planned Spending	2009-2010 Total Authorities	2009-2010 Actual
Strategic Outcome: Taxpayers meet their obligations and Canada's revenue base is protected					
Taxpayer and Business Assistance[2]	483,467	690,626	690,626	542,727	**531,371**
Assessment of Returns and Payment Processing[3]	645,529	587,917	587,917	728,359	**690,835**
Accounts Receivable and Returns Compliance[4]	497,808	429,712	429,712	533,979	**529,982**
Reporting Compliance	1,037,944	922,077	922,077	1,129,081	**1,092,367**
Appeals	132,605	126,895	126,895	149,799	**148,009**
Strategic Outcome: Eligible families and individuals receive timely and correct benefit payments					
Benefit Programs[5]	341,843	331,566	331,566	342,634	**342,440**
The following Program Activity supports all strategic outcomes within the organization					
Internal Services[1]	1,057,515	1,295,854	1,295,854	1,156,451	**1,068,803**
Strategic Outcome: Taxpayers and benefit recipients receive an independent and impartial review of their service-related complaints					
Taxpayers' Ombudsman[1]	1,945	3,328	3,328	3,130	**2,741**
Total	**4,198,656**	**4,387,974**	**4,387,974**	**4,586,160**	**4,406,548**
Less:					
Non-Tax Revenues					
Respendable Revenue –Pursuant to Section 60 of the *Canada Revenue Agency Act*	219,585	204,803	204,803	213,920	**213,920**
Non-Respendable Revenue	51,074	N/A	54,183	N/A	**55,676**
Plus:					
Cost of services received without charge	250,314	N/A	259,782	N/A	**269,188**
Net Cost of Agency	**4,178,311**	**N/A**	**4,388,770**	**N/A**	**4,406,140**

Note: Numbers may not add due to rounding

[1] Commencing in the 2009-2010 Estimates cycle, the resources for Program Activity Internal Services are displayed separately from other program activities; they are no longer distributed among the remaining program activities. 2008-2009 Actuals have been restated to more accurately reflect the total spending attributable to each Program Activity and to provide a better comparison of spending information by Program Activity between fiscal years.

[2] Includes the Softwood Lumber statutory disbursements ($180.5 million in 2008-2009 and $205.5 million in 2009-2010).

[3] Includes payments to the Ministère du Revenu du Québec in respect of the joint administration costs of Federal and Provincial sales taxes ($131.7 million in 2008-2009 and $148.4 million in 2009-2010).

[4] Includes Payments to Private Collection Agencies ($9.1 million in 2008-2009 and $3.3 million in 2009-2010).

[5] Includes a) Relief for Heating Expenses (program announced in 2000) ($0.9 million in 2008-2009 and $0.5 million in 2009-2010); b) Energy Costs Assistance Measures expenses (program announced in the Fall of 2005) ($0.5 million in 2008-2009 and 0 in 2009-2010); and c) Statutory Children's Special Allowance payments ($211.8 million in 2008-2009 and $215.3 million in 2009-2010).

Voted and Statutory Items

	(in thousands of dollars)	2007-2008	2008-2009	2009-2010	
	Truncated Vote or Statutory Authority Wording	**Actual**	**Actual**	**Main Estimates**	**Actual**
1	Program expenditures and recoverable expenditures on behalf of the *Canada Pension Plan* and the *Employment Insurance Act*	3,023,433	3,154,525	3,114,391	**3,297,434**
(S)	Minister of National Revenue – Salary and motor car allowance	71	76	78	**78**
(S)	Spending of revenues received through the conduct of its operations pursuant to Section 60 of the *Canada Revenue Agency Act*	171,763	219,585	204,803	**213,920**
(S)	Contributions to employee benefit plans	402,012	419,900	413,423	**469,401**
(S)	Children's Special Allowance payments	208,163	211,848	221,000	**215,264**
(S)	Payments to private collection agencies pursuant to section 17.1 of the *Financial Administration Act*	12,431	9,067	5,279	**3,286**
(S)	Payments under the *Energy Costs Assistance Measures Act*	992	489		**13**
(S)	Statutory disbursements to Provinces under the *Softwood Lumber Products Export Charge Act, 2006*	603,602	180,495	429,000	**205,545**
(S)	Spending of proceeds from the disposal of Surplus Crown Assets	126	785		**111**
(S)	Court Awards	366	1,886		**1,496**
	Total Agency	**4,422,959**	**4,198,656**	**4,387,974**	**4,406,548**

Authorities approved after tabled Main Estimates

The following table details the authorities approved for the Agency after the Main Estimates and reconciles with the Total Authorities shown on page 192.

(in thousands of dollars)	
2009-2010 Main Estimates	**4,387,974**
	-
Planned Spending (RPP)	**4,387,974**
Carryforward from 2008-2009	147,065
Severance Pay, Parental Benefits and Vacation Credits	70,860
Various Collective Agreements	56,641
Year-end adjustment to statutory authorities:	
Employee Benefit Plan Contributions	55,978
Statutory disbursements to provinces under the *Softwood Lumber Products Export Charge Act, 2006*	(223,455)
Payments for Children's Special Allowances	(5,736)
Payments to private collection agencies	(1,993)
Provincial Sales Tax Administration Reform	39,957
Transfer from Public Works and Government Services Canada for increased accommodation and real property services charges	18,551
Initiatives arising from the 2009 Federal Budget in support of Canada's Economic Action Plan such as the Home Renovation Tax Credit and the First-Time Home Buyers Tax Credit	12,338
Government Advertising Programs	11,000
Respendable Revenue adjustment primarily for processing Employment Insurance claims on behalf of Service Canada in Québec and Ontario	9,117
Financial Interoperability and Stewardship Initiative in support of the Corporate Administrative Systems	6,349
Court Awards	1,496
Increasing Federal Public Service Student Employment	861
Crown Assets Disposals	111
Payments under the *Energy Costs Assistance Measures Act*	13
Reduction in Public Opinion Research	(564)
Transfer to Foreign Affairs and International Trade - To provide support to CRA staff located at missions abroad	(203)
Transfer to Treasury Board Secretariat - To support the National Managers' Community	(200)
Total Authorities at year-end	**4,586,160**

If you need more information, email us at: **annual.report@cra-arc.gc.ca** or write to:

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Planning and Annual Reporting Division
Corporate Planning, Governance and Measurement Directorate
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